A/66/5/Add.5

United Nations

Voluntary funds administered by the United Nations High Commissioner for Refugees

Financial report and audited financial statements

For the year ended 31 December 2010

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-sixth Session
Supplement No. 5E

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Report of the Board of Auditors

United Nations • New York, 2011

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

ISSN 0257-0807

[21 July 2011]

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Letters of transmittal

[27 June 2011]

Sir,

Pursuant to the Financial Rules for Voluntary Funds Administered by the United Nations High Commissioner for Refugees, we have the honour to submit the accounts for 2010, certified as correct and approved in accordance with paragraph 11.4 of those Rules.

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries of other officials of the organization, the following representations in connection with your audit of the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2010:

1. We are responsible for preparing financial statements that properly present the activities of the organization and for making accurate representations to you. All the accounting records have been made available for the purposes of your audit, and all the transactions that properly occurred in the financial period of the organization have been properly reflected and recorded in the accounting records. All other records and related information have been made available to you.

2. The financial statements were prepared in accordance with:

(a) The United Nations system accounting standards;

(b) The Financial Regulations of the United Nations;

(c) The Financial Rules established by the High Commissioner in consultation with the Executive Committee;

(d) The accounting policies of the organization, as summarized in note 2 to the financial statements; these accounting policies have been applied on a basis consistent with the preceding financial periods.

3. The non-expendable property disclosed in note 17 to the financial statements was owned by the organization and was free from any charge. The cost of the non-expendable property in existence at 31 December 2010, as disclosed in the note, was fairly stated.

4. The cash and inter-agency balances recorded are not impaired and, in our opinion, are fairly stated.

5. All material accounts receivable have been included in the financial statements and represent valid claims against debtors. Apart from the estimated uncollectable amounts, recorded under the provision for doubtful accounts receivable, we expect all significant accounts receivable as at 31 December 2010 to be collected.

6. All known accounts payable have been included in the accounts.

7. The unliquidated obligations recorded represent valid commitments of the organization and were established in accordance with the Financial Rules.

8. All material, legal or contingent liabilities have been appropriately reflected in the financial statements.

9. Except as disclosed in the financial statements, the financial position of the organization was not materially affected by:

(a) Charges or credits relating to prior years;

(b) Any changes in the basis of accounting.

10. All expenditure reported during the period was incurred in accordance with the financial regulations of the organization and any specific donor requirements.

11. All commitments against resources of future financial periods have been disclosed as required by the United Nations system accounting standards.

12. We further confirm that all losses of cash or receivables, ex gratia payments, presumptive fraud and fraud, wherever incurred, were communicated to the Board of Auditors.

13. Disclosure was made in the accounts of all matters necessary for the financial statements to present fairly the results of the transactions in the period.

14. There have been no events since the date of the statement of assets and liabilities that necessitate revision of the figures included in the financial statements or a note thereto.

(*Signed*) Karen Madeleine **Farkas**
Controller and Director
Division of Financial and Administrative Management

(*Signed*) António **Guterres**
United Nations High Commissioner for Refugees

The Chair of the United Nations Board of Auditors
United Nations
New York

[12 July 2011]

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2010.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

We have audited the accompanying financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees, which comprise the statement of income and expenditure and changes in reserves and fund balances for the year ended 31 December 2010 (statement I), the statement of assets, liabilities, reserves and fund balances as at 31 December 2010 (statement II), the statement of cash flows for the year ended 31 December 2010 (statement III) and the schedules and notes to the financial statements.

Management's responsibility for the financial statements

The United Nations High Commissioner for Refugees is responsible for the preparation and fair presentation of the financial statements in accordance with the United Nations system accounting standards and for such internal control as is deemed necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or to error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risk of material misstatement, whether due to fraud or to error. In making such risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as of the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is appropriate and sufficient to provide a basis for our audit opinion.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2010 and its financial performance and cash flows for the year then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion the transactions of the Office of the United Nations High Commissioner for Refugees that have come to our notice, or that we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations, the Financial Rules for the voluntary funds administered by the United Nations High Commissioner for Refugees and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the voluntary funds administered by the United Nations High Commissioner for Refugees.

Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

Terence **Nombembe**
Auditor-General of South Africa

Liu Jiayi
Auditor-General of China
Chair of the United Nations Board of Auditors

12 July 2011

Chapter II
Long-form report of the Board of Auditors

Summary

The Office of the United Nations High Commissioner for Refugees (UNHCR) provides support (food and shelter) and protection services (security and legal support) to some 33.9 million persons of concern displaced from their homes or their own countries. It operates as a devolved organization with more than 6,300 regular staff working in some 380 offices located in 125 countries.

The Board of Auditors has audited the financial statements and reviewed the operations of UNHCR for the year ended 31 December 2010. The audit was carried out through the examination of financial transactions and operations at UNHCR headquarters in Geneva and the Global Service Centre in Budapest, and through field visits to UNHCR offices in Colombia, Iraq, Jordan, Pakistan and the United Republic of Tanzania.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations High Commissioner for Refugees as at 31 December 2010 and the results of operations and cash flows for the year then ended, and have been properly prepared in accordance with United Nations system accounting standards; the income and expenditure have been applied to the purposes intended by the General Assembly; and the financial transactions conform to the Financial Regulations and Rules of the United Nations and the Financial Rules for Voluntary Funds Administered by the High Commissioner for Refugees.

In its 2009 report, the Board highlighted two emphases of matter without qualifying its opinion: on the unreliability of the records for the disclosed amount of $343.61 million for non-expendable property, and on the deficit of $159.9 million in the reserves and fund balances following the provision made for end-of-service and post-retirement liabilities. This year, the Board issued an unmodified opinion because of the progress that UNHCR had made in addressing the weaknesses in its asset registers and because the Board was satisfied that the negative equity of UNHCR was not indicative of any underlying financial instability. These matters are dealt with in more detail in the relevant sections of the present report.

Overall conclusion of the Board

UNHCR is delivering beneficial support and protection to millions of refugees across the globe, often in operationally challenging circumstances. In 2006, UNHCR embarked on a multi-year structural and management change process in order to reinforce its capacity to deliver assistance, protection and solutions to persons of concern and to align working practices towards results-based management. New planning, budgeting and management tools and structures are being gradually mainstreamed into UNHCR operations, and the change programme is ongoing.

The Board would expect UNHCR to be able to demonstrate tangible benefits from its change programme, but as yet it cannot. The Board has identified significant concerns about important aspects of UNHCR financial, risk and performance

management and the difficulties that the Office is encountering in its attempts to put value for money at the heart of its decision-making and operations.

The Board is concerned that the errors found and weaknesses in controls over key areas such as the management of bank accounts, receivables and assets, combined with low financial management capacity in the field and the problems encountered by UNHCR in producing a robust set of accounts for audit, are strong indicators of significant shortcomings in financial management. This is a major risk for UNHCR, given the increasing pressures on donors to justify why they provide public funds to international aid organizations.

The work being undertaken to implement the International Public Sector Accounting Standards (IPSAS) has further underlined these concerns. While the Board acknowledges the work being conducted on reconciliations and on asset identification and valuation in preparation for the adoption of IPSAS, there remains a need to improve financial literacy across the organization if the Standards are to be successfully implemented and the benefits quickly realized. There are risks in meeting the implementation target of 2012, in particular with regard to the capacity of the country office network to comply with the rigorous new processes and standards required under IPSAS. The ability to prepare accurate and timely end-of-year accounts is also a critical test of whether UNHCR is ready to implement IPSAS successfully in the first year, especially in the light of the stricter accounting standards imposed.

Despite the continuing efforts of UNHCR management to implement results-based management, limited progress has been made in that regard. UNHCR remains unable to gather and analyse basic management information on its operations, to integrate information on costs and performance, and to get a full grip on the performance of its implementing partners or the delivery of major initiatives. Nor has it established an organization-wide structured approach to risk management. Furthermore, given the importance of implementing partners to the delivery of its mandate, the Board is particularly concerned at the lack of transparency in partner selection processes and the increased risk of fraud and corruption to which this exposes UNHCR. The Board acknowledges that UNHCR recognizes the risks in partner selection and is involved in a major review to improve its selection and management of partners. The Board has not observed a clear and embedded culture of accountability for resource management and performance from country offices to the corporate centre. This contributes to problems across the network: low compliance with mandatory business controls and disparate approaches to common challenges.

In summary, a systematic and quantified approach, linking financial management information to output measurement, backed up with effective risk management and periodic in-depth evaluation of programme impact, and spanning all major activities, is the basis for demonstrating value for money in a service delivery organization such as UNHCR. While recognizing the efforts being made, the Board concludes, on the basis of the evidence set out in the present report, that UNHCR has not yet developed mature and effective performance, financial and risk management. Until it has done so, UNHCR cannot fully and objectively demonstrate that it has used its resources cost-effectively in its vital work for refugees.

Key findings and recommendations

Preparation of financial statements

UNHCR was underprepared for the financial audit, reflecting significant deficiencies in the systems in place to prepare its financial statements and in the quality of the supervision and ownership of these processes, from the most senior executive level downwards and across the entire organization. The key issues were the completeness and accuracy of audit trails and the variable quality of financial review and reporting across the organization.

Financial management

The Board found weaknesses in control and financial management oversight in a number of areas. In particular:

- UNHCR maintains 425 bank and cash accounts globally, with a combined balance of $147 million, of which 11 are inactive. In addition, UNHCR held investment accounts with a total balance of $290 million as at 31 December 2010. The Board found that in 2010, 82 bank accounts (with a total balance of $50.3 million) and 17 investment accounts (with a total balance of $325 million) had lacked up-to-date reconciliations, a key financial control. This lack of basic control, combined with an excessive number of bank accounts, is exposing UNHCR to an increased risk of misappropriation and fraud and excessive administrative overheads. While progress was made by year-end in reducing the reconciliations backlog to 10 accounts (of which only 3 were active), and UNHCR is starting to rationalize and reduce the numbers of bank accounts it maintains in order to improve control and efficiency, this is an area that must brought under rigorous control as a matter of urgency;

- The Board found errors in the UNHCR expendable property (inventory) system, where either the purchase value of items was inaccurately reflected or items were obsolete, despite the fact that they had a recorded value. In one warehouse, for example, obsolete stock accounted for 52 per cent of the total $1.31 million inventory held. If UNHCR is to manage its inventories effectively and achieve IPSAS compliance by its planned timetable of 2012, it needs to take urgent action to address the weaknesses in its inventory management and valuation. Expendable property has an approximate value of $130 million, but was not disclosed in the 2010 accounts of UNHCR because of continuing concerns about the accuracy of its valuation.

As a result of the Board's audit, UNHCR made total gross adjustments of some $39 million to the financial statements. Those restatements, together with the refinement of the stated accounting policies to reflect accounting practice and the disclosure of accounting policies for other significant balances and transaction streams, enabled the Board to issue its unmodified audit opinion.

Progress towards implementation of the International Public Sector Accounting Standards

There is a significant risk that UNHCR will not be able to finalize the new policies and practices, communicate them to staff and establish them as working practices in time to successfully implement IPSAS in 2012. Significant work remains if UNHCR is to be able to accurately identify and value its assets and

liabilities as required for disclosure under IPSAS; in addition, the low financial management capacity at the country office level is a risk to IPSAS implementation and compliance. Given the limited time available before implementation, the Board is also concerned that it has yet to see clear plans for UNHCR to produce "dry-run" accounts with real accounting data. In the Board's view, without a dry run it is unlikely that an organization as complex as UNHCR will be able to prepare financial statements of the high standard required within the planned implementation time frames.

Even if UNHCR achieves IPSAS-compliant financial statements, the full benefits of IPSAS will be delayed. IPSAS implementation is not an end in itself, but should be used to drive better accountability and financial management. UNHCR has not yet established arrangements to realize the benefits of IPSAS implementation, including the potential to transform its operations in terms of cost-effectiveness and achieve the significant cultural and behavioural changes required. There is a lack of investment in training to communicate to all staff the impact and potential of IPSAS in driving cost-effectiveness and having a beneficial impact on activities, as well as a lack of plans for benefits realization.

Performance reporting and progress towards implementation of results-based management

UNHCR performance reporting from its country network does not enable management to make effective judgements as to the cost-effectiveness of projects and activities or to hold local managers accountable for performance. Despite the fact that results-based management was introduced in 2005, reports do not regularly combine financial and outcome data, lack analysis and are not structured in a summarized and easily digested format. UNHCR recognizes that it must make better use of its existing systems to achieve this, and also that it must balance the need to moderate the demands for data capture at the country level against the need to make performance information more robust, relevant and useful at the corporate level.

Risk management

UNHCR has yet to establish a systematic and organization-wide approach to risk management, including a corporate risk register. Initial development work carried out in 2005/06 and 2008 has not been continued.

Managing implementing partners

The process of selecting implementing partners lacks rigour and transparency, increasing the risk of fraud, corruption, inefficiency and poor partner performance. Some 57 per cent of its partners have worked with UNHCR continuously for more than 5 years (28 per cent for more than 10 years), and have had their agreements renewed several times. The Board found little evidence of any kind of competitive selection process, benchmarking of cost and performance against alternatives, or comparison of capacity and "fit" with requirements.

The frequency and quality of country office monitoring of partner performance, and the follow-up of poor performance, are variable. UNHCR largely applies the same policies when managing its partners, rather than targeting its oversight activity by using a risk-based evaluation of size, location, previous

performance and the nature of services provided, although the Board acknowledges its intention to adopt the latter approach. UNHCR has limited ability to determine the impact of partners' activities, because indicators to monitor their performance rarely measure service quality or outcomes. Where the performance of implementing partners is poor, management action is inconsistent and partners are not always held to account.

Protracted refugee situations

The Global Plan of Action on protracted refugee situations has no senior accountable owner or indicators to measure progress or success. It has been implemented as a series of separate projects rather than as a coordinated programme. The Plan was launched in 2008 by UNHCR to target five specific situations considered most amenable to positive change. The Board found no aggregate measures or targets to indicate how much progress the Plan had made in addressing protracted refugee situations and reducing dependency on UNHCR, or any tracking of how UNHCR had deployed its resources across this strategically important initiative. While UNHCR was unable to provide the Board with reliable overall data, its expenditure on 11 of the most significant situations (involving two thirds of all refugees in situations) is planned to grow to $300 million in 2011, reflecting 150 per cent growth since 2007. Although there are examples of its working closer together with development agencies such as the United Nations Development Programme, key challenges remain in developing the necessary cooperation and establishing appropriate funding mechanisms.

In the light of the findings set out above, the Board makes detailed recommendations in the main part of the present report. In summary, its main recommendations are that UNHCR:

- **Implement an effective process for the preparation of year-end financial statements, including a detailed management review;**
- **Examine and address the reasons for deficiencies in country office financial management and reporting capacity;**
- **Centralize its banking arrangements, close any unnecessary bank accounts and improve bank reconciliation procedures;**
- **Strengthen its preparation for IPSAS implementation by: (i) engaging at an early stage with the Board on revised financial rules and regulations; (ii) producing a "dry-run" set of IPSAS-compliant accounts; (iii) cleansing its accounting records and establishing a clear plan for the creation of opening balances; and (iv) implementing an organization-wide change management programme to drive delivery of the envisaged benefits of the IPSAS project;**
- **Link financial and output data to permit the evaluation of cost-effectiveness in its operations and strengthen accountability;**
- **Establish a simple organization-wide risk management approach without imposing onerous burdens on country operations;**
- **Require its country operations to document their justification for partner selection and formally assess the market for alternative partners;**

- **Establish a single senior point of ownership for protracted refugee situations to address progress on all situations and to hold country operations to account.**

Previous recommendations

Of the 24 recommendations made for 2009, 3 (13 per cent) were fully implemented, 14 (58 per cent) were under implementation and 7 (29 per cent) were not implemented. This represented a decline in the rate of implementation since 2009, when 8 (42 per cent) of the recommendations made in 2008 were implemented.

A. Background

1. The Office of the United Nations High Commissioner for Refugees (UNHCR) provides support (food and shelter) and protection services (security and legal support) to some 33.9 million persons of concern who have been displaced from their homes or their own countries. It operates as a devolved organization with more than 6,300 regular staff, most of whom work in some 380 offices located in 125 countries.

2. In 2006, UNHCR embarked on a multi-year structural and management change process, aimed at reinforcing its capacity to deliver its services and mandates, and implementing results-based management. New planning, budgeting and management tools and structures are being gradually mainstreamed into UNHCR operations. These include the launching of a new enterprise resource planning system, a new budget structure and a new results framework, supported by the roll-out of planning and management software (Focus).

3. UNHCR has also introduced increased delegation of authority to the field to permit more efficient responsiveness, and has introduced a Global Management Accountability Framework. It has also outposted its back-office functions from headquarters to Budapest, established a Global Learning Centre and invested in improving the quality of its supply management function, a critical activity for the delivery of its protection services.

4. The change programme is ongoing, and the Board is concerned that progress is slow and that UNHCR continues to be unable to demonstrate tangible benefits. However, against a background of a 70 per cent increase in expenditure between 2006 and 2010, overall staffing growth was less than 5 per cent during the same period, and the number of headquarters personnel has been reduced by approximately 30 per cent. While these figures are not conclusive, because they do not take into account the results and impacts achieved by UNHCR, they indicate that the Office is potentially delivering improved productivity in some areas.

5. In October 2009, UNHCR presented to its Executive Committee for approval a global needs-based budget for 2010 amounting to $3 billion, which was revised during 2010 to $3.3 billion, reflecting an increase of $1.5 billion compared with the $1.8 billion budget for 2009. Although 2010 was characterized by fiscal restraint among many donor nations, UNHCR continued to receive strong donor backing, with ongoing support from traditional donors and growing support from new donors (including the private sector). UNHCR informed the Board that in 2011, it would seek to consolidate the changes it had made.

B. Mandate, scope and methodology

6. The Board of Auditors has audited the financial statements of UNHCR and has reviewed its operations for the financial period ended 31 December 2011 in accordance with General Assembly resolution 74 (I). The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the Financial Rules for Voluntary Funds administered by the High Commissioner for Refugees, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the

audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

7. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNHCR as at 31 December 2010 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment to determine whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations and the Financial Rules for Voluntary Funds administered by the High Commissioner for Refugees. The audit included a general review of financial systems and internal controls, and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

8. The Board also reviewed UNHCR operations under financial regulation 7.5, which requires the Board to make observations regarding the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNHCR operations. The Board focused on:

(a) Progress towards and readiness for IPSAS implementation in 2012;

(b) Performance reporting and progress towards the implementation of results-based management;

(c) The management of implementing partners;

(d) The management of protracted refugee situations.

9. During the course of the audit, the Board visited UNHCR headquarters in Geneva and the Global Service Centre in Budapest, and examined field operations in Colombia, Iraq, Jordan, Pakistan and the United Republic of Tanzania. The Board coordinated with the Office of Internal Oversight Services (OIOS) to avoid duplication of effort and to determine the extent to which the latter's work could be relied upon.

10. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from the Assembly and the Advisory Committee on Administrative and Budgetary Questions.

11. The Board's observations and conclusions were discussed with UNHCR, whose views have been appropriately reflected in the present report. The recommendations contained in the report do not address steps that UNHCR may wish to consider in respect of officials for instances of non-compliance with its Financial Rules, administrative instructions and other related directives.

C. Findings and recommendations

1. Follow-up of previous recommendations

12. Of the 24 recommendations made for 2009, 3 (13 per cent) were fully implemented, 14 (58 per cent) were under implementation and 7 (29 per cent) were not implemented. This represented a decline in the rate of implementation since 2009, when 8 (42 per cent) of the recommendations made in 2008 were implemented. Further details regarding the status of implementation are contained in annex 1.

13. Recommendations originally made in 2007 and 2008 that had not been implemented in 2009 were reiterated as recommendations in the Board's 2009 report (A/65/5/Add.5). As requested by the Advisory Committee on Administrative and Budgetary Questions (see A/59/736), the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented. Of the Board's 21 previous recommendations that either were under implementation or had not been implemented, 64 per cent related to 2009, none to 2008 and 36 per cent to 2007.

14. In relocating its corporate services from Geneva to Budapest in 2008/09, UNHCR had sought to reduce administrative costs, to ensure service continuity and to supply, at least initially, the level of quality that had previously been provided from Geneva. In its previous report, the Board highlighted the fact that UNHCR had not established a basis on which to evaluate the improved services provided to country offices. The Board recommended that before each structural reform, UNHCR establish detailed objectives and indicators of success. The Board considered it too early to assess the impact of the outposting to Budapest, but will examine that issue in future reports.

15. UNHCR agreed with the Board's recommendation that it prepare comparative statistics and indicators to measure the improvement in the quality of the services delivered by outposted units. It proposed to implement this recommendation for the restructuring of the Division of Information Systems and Telecommunications planned for 2011, and the creation of a new information and communications technology service centre in Amman. The Board reviewed the Division's change plans and found that work was under way to establish relevant indicators and baselines. This included a survey to establish a baseline of staff satisfaction with existing information and communications technology services, and the development of appropriate metrics and targets to monitor the impact of restructuring from 2011 to 2015, including on service delivery during the 2011 transition.

Recommendations partially implemented or not implemented

16. With regard to 7 of the 14 recommendations under implementation, the Board noted that implementation depended on ongoing medium-term projects such as the strategy for funding after-service and post-retirement liabilities, or the upgrading of UNHCR computerized databases for the management of, for example, non-expendable property.

17. Of the seven unimplemented recommendations, of particular concern to the Board was the recommendation, made in 2009, that UNHCR ensure that bank reconciliations were exhaustive and resolve unexplained differences between bank

confirmation statements and the general ledger. While UNHCR agreed with that recommendation, the Board found significant failings in the bank reconciliation processes conducted during the year. Overall, the low level of implementation in 2010 reflects the many weaknesses and errors found by the Board during the audit and highlighted in the present report. The Board has reiterated most of the unimplemented recommendations in the relevant sections. The two not addressed elsewhere in the report are:

(a) The Board previously recommended that UNHCR continue its efforts to reduce the number of staff who were between assignments and not on temporary duty. UNHCR has yet to determine a new policy on the issue of staff between assignments;

(b) The Board recommended that, in collaboration with OIOS, UNHCR take appropriate measures to reduce the number of vacancies for internal auditors. UNHCR remains concerned that internal audit coverage is not being provided in key areas of programme activity, and will continue to pursue the matter with senior officials of OIOS as a matter of priority. However, the Board does not reiterate this recommendation, but will be discussing the results of its audit with OIOS as part of the planning for 2011.

18. **The Board reiterates its previous recommendation that UNHCR continue its efforts to reduce the number of staff between assignments and not on temporary duty, and will re-examine the issue after UNHCR has established its revised policy.**

19. UNHCR stated that it intended to promulgate, before the end of 2011, a revised policy for staff between assignments.

2. Financial overview

Overall financial position of the Office

20. The financial statements show that UNHCR received income of $1.992 billion in 2010, an increase of $189.1 million over 2009 and that it reported expenditure of $1.923 billion. This represented an excess of income over expenditure of $69 million, or a net surplus, after adjustments for prior-year contributions and expenditure, of $73.1 million, according to the statement of income and expenditure and changes in reserves and fund balances for 2010. This continues the recent trend whereby UNHCR has received more income than it can utilize, resulting in the accumulation of significant cash and term deposits, which totalled $437.1 million as at 31 December 2010. UNHCR net liabilities at 31 December 2010 were $72.3 million,[1] representing a decrease in overall liabilities of some $87.7 million since 2009.

21. Most of the $1,923.1 million in expenditure of UNHCR in 2010, or some $1,493.6 million (78 per cent), was directed towards its programme (see note 6 to the financial statements), with the remainder covering administrative overhead and

[1] The net liabilities (or negative equity) at 31 December 2010 of $72.3 million are the excess of liabilities over assets. The figure is negative because UNHCR has disclosed its liabilities for after-service staff benefits but not yet its expendable and non-expendable assets (see note 2 (t) to the financial statements for the financial period ended 31 December 2010). Under IPSAS, UNHCR will have to disclose the complete position on all its assets and liabilities.

staff benefits. Of the $1.992 billion in income in 2010, some $1,903.5 million (96 per cent) was in the form of voluntary contributions. The timing of the voluntary funding of UNHCR can be highly variable, creating difficulties for UNHCR country operations in expending such funding in a regular and predictable pattern during the year. For example, in 2010 UNHCR Iraq, the single largest country operation, received large inflows of funding in November and December. The Board noted that as at 31 December 2010, more than half of the annual expenditure of UNHCR Iraq had not been disbursed and was to be liquidated in the period up to 31 March 2011.

22. The uncertainty and late surges of funding experienced by UNHCR have implications for resource management and decision-making. The Board notes many instances where there is an incentive to focus on activities on which UNHCR can spend quickly and which are less dependent on future funding, or the deferral of important "through-year" services such as medical referrals until year-end. The Board is also concerned that the uneven pattern of funding and expenditure can lead to an acceleration of year-end disbursements, with increased risks posed to control and compliance.

23. In 2010, approximately one third of UNHCR expenditure ($677 million) was channelled through implementing partners. As indicated in note 6 to the financial statements, as at 31 December 2010 management had received financial monitoring reports justifying $386 million (57 per cent) of this expenditure. By 31 May 2011 it had received all reports, covering 98 per cent of the expenditure.

3. Financial management

24. Despite the fact that the Board had raised concerns in 2009, UNHCR was underprepared for the financial audit reflecting significant deficiencies in the systems in place for the preparation of its financial statements and in the quality of top-level management supervision and ownership of those processes across the whole organization. Those deficiencies were remedied through a significant amount of additional unplanned input by UNHCR staff and resulted in increased cost for the Board. The gross value of adjustments to the financial statements stemming from the audit was $39 million, resulting in a net decrease of $3.12 million in fund balances as at 31 December 2010.

25. The Board could not determine an audit trail from the accounting records to the trial balance, and the trial balance was not reconciled with the financial statements, despite the fact that this was an explicit requirement set out in advance of the audit. Comparative information was incomplete and inaccurate, and there were unacceptably high levels of misstatement in the transactions audited, as indicated by the level of the adjustments made to the financial statements. In addition, the stated accounting policies were incomplete and did not accurately reflect the accounting practice followed by UNHCR. For example, the original accounting policy of UNHCR for income stated that pledges from Governments were fully recognized at the time of acceptance of the pledge; however, the Board found that in practice UNHCR recognized income in the year for which the pledge was made. Either approach is acceptable under the United Nations system accounting standards, but it is unacceptable for accounting practice to be inconsistent with stated accounting policy. The accounting policy was modified to reflect the reality of accounting practice. The Board, in accordance with the

International Standards on Auditing, requested that UNHCR address the issues identified and resubmit the financial statements for audit.

26. The Board was particularly concerned that there had been insufficient preparation of supporting schedules and analysis to allow for management review, validation that the financial statements were fairly presented, an accurate reflection of the accounting records, or compliance with the stated accounting policies. The Board considered this an area that required significant improvement by UNHCR, given the High Commissioner's direct responsibility for the production of accurate financial statements.

27. The Board also found limited UNHCR review of financial information throughout the year. For example, accounts receivable had not been regularly reviewed to confirm that the balances represented valid assets of the organization. The Board identified significant levels of error in accounts receivable. A number of accounts receivable were more than 5 years old, and additional work by UNHCR and the Board determined that some of these were unlikely to have been received from donors. Either the income had been received and the receivable had not been cancelled, or donors had confirmed that they would no longer be paying the amounts that they had pledged. As a result of the audit, UNHCR made adjustments of $5.2 million to its aged outstanding receivables and adjustments of $2.1 million against accounts payable and repatriation liability, and thus a total of $4.4 million was written off to prior years.

28. The restatements and other adjustments to the financial statements, including the refinement of the stated accounting policies to reflect accounting practice and the disclosure of the accounting policies for other significant balances and transaction streams, have led the Board to believe that in all material respects, the financial statements of UNHCR were fairly stated.

29. **The Board recommends that UNHCR establish a detailed process for the year-end preparation of its financial statements encompassing the cleansing of accounting records, the preparation of comprehensive supporting schedules, and detailed and evidenced-based management review of the draft financial statements prior to their submission to the auditors. This recommendation replaces the unimplemented recommendation, made in 2009, that UNHCR: (a) ensure that the responsible officials comply strictly with the closing instructions of the organization; and (b) adjust its internal procedures in order to comply with the audit requirements.**

30. UNHCR stated that it would review its detailed year-end account closure processes on the basis of lessons learned from the recently conducted audit. The review will be completed by 31 October 2011. UNHCR also informed the Board that in June 2011 it had strengthened the management accounting control function and other key positions in the Controller's office, and that it had initiated a benchmarking exercise to assess UNHCR financial management practices against best-practice standards.

31. At the country office level, it was evident to the Board that UNHCR country offices did not have a culture of robust financial management. The capabilities of the UNHCR enterprise resource planning system were not well understood by users in country offices. Local finance officers and supply management staff could not generate standard financial reports, trial balances for their cost centres or aged

inventory or inventory usage reports, essential for the conduct of effective day-to-day financial management control.

32. In the UNHCR office in the United Republic of Tanzania, for example, the Board found $2 million in unsubstantiated receivables and associated bad debt provisions dating back seven years, and unsupported balances in the financial systems that had been present in the ledger since 2003. The Board also noted that high numbers of adjustments had been made to the UNHCR accounting ledger as a result of invalid prime entry in field offices, indicating weak controls over the input of accounting data in the field.

33. **The Board recommends that UNHCR examine and address the reasons for deficiencies in country office financial management and reporting capacity.**

34. **The Board also recommends that UNHCR enhance its monthly financial closure processes to include, for example, documented review and validation of asset and liability balances, review of income and expenditure against budgets, and sign-off by the relevant responsible officers at headquarters and in the field on the components of the trial balance for which they are responsible.**

35. UNHCR accepted the Board's recommendations and stated that it would review relevant audit and inspection reports, consult with headquarters Bureaux and continue to analyse financial data from its enterprise resource planning system in order to identify which country offices were in need of strengthened financial management. UNHCR would draw up a workplan to address the identified gaps, including any additional training needs in those locations. This exercise would commence as soon as possible in 2011.

36. UNHCR also stated that it would clarify the list of documents to be reviewed and signed off by relevant officers as part of month-end financial closure activities, and that its intention was to produce end-of-month financial information by running queries from its enterprise resource planning system so that the same documents would be used everywhere within UNHCR.

4. End-of-service liabilities

37. The 2010 financial statements reflected end-of-service and post-retirement liabilities amounting to $393.7 million. Of this amount, $286.6 million represented after-service health insurance. The liabilities are determined by actuarial valuation based on a discount rate of 5.55 per cent, using spot rates for high-quality corporate bonds payable in euros (the same method was used in 2009, with a rate of 6.15 per cent). The change in discount rate is explained by movements in the market during the reporting period, and the reduced rate in effect reduced the total estimated liability (note 19 to the financial statements provides further explanation). The actuarial gains and losses have been recognized as they occur, with the UNHCR income statement disclosing a $91 million actuarial gain for the year ended 31 December 2010. In 2009, the Board had recommended that UNHCR modify its financial statement disclosures regarding after-service health insurance to disclose the main changes in actuarial assumptions, and the Board continued to note the need for clearer disclosures with regard to the sensitivities of the assumptions used and their impact on the valuation of the liability.

38. In its resolution 64/241, the General Assembly requested the Secretary-General to continue to validate the accrued liabilities for after-service health

insurance with the figures audited by the Board and to include this information and the outcome of the validation in his report to the Assembly at its sixty-seventh session. The Board reviewed the actuarial valuation exercises for both after-service health insurance and the repatriation benefits liability. The Board concluded that the actuaries were suitably qualified to undertake the valuations and that the actuarial assumptions used to calculate a discount rate and the measurement of the actuarial gains and losses were in line with International Public Sector Accounting Standard No. 25, on employee benefits. However, while it is the responsibility of UNHCR management to ensure that the data that it supplies to the actuaries are both accurate and complete, we found no documented review of the accuracy and completeness of the data supplied prior to the audit. UNHCR, at the request of the Board, conducted additional work to review and confirm the accuracy of the data.

39. **The Board reiterates its previous recommendations that UNHCR: (a) fully align its disclosures regarding end-of-service liabilities with the relevant IPSAS standard for 2011 (including by providing more information in its note disclosures of the impact of changes in discount rates on its stated liabilities); and (b) set up specific funding for its accrued end-of-service and post-retirement liabilities.**

40. **The Board also recommends that UNHCR develop robust and documented quality control procedures to validate the integrity of the data supplied to its actuaries concerning staff end-of-service liabilities.**

41. UNHCR accepted both recommendations, informing the Board that the impact on its liabilities stemming from changes in discount rates or other significant assumptions would be highlighted in its note disclosures for the 2011 financial period. It would also develop procedures to review and validate data provided to its actuaries. In addition, UNHCR informed the Board that in June 2011 its Standing Committee had approved a strategy to fund its accrued end-of-service and post-retirement liabilities; the Board would examine this in its next audit.

5. Bank accounts, cash and investments

Bank accounts

42. At 31 December 2010, UNHCR had 425 separate bank and cash accounts with a combined balance of $147 million, and investment accounts with a year-end balance of $290 million. Of the 425 bank and cash accounts, 414 were active; the remaining 11 were inactive but still open in the name of UNHCR. The high number of bank and cash accounts, coupled with the devolved nature of UNHCR operations, makes it difficult for UNHCR to adequately manage and control the use of these accounts, thus increasing the risk of error, fraud and inefficient administration. While there are established financial rules for the opening of new bank accounts, there are no routine procedures to ensure that there remains a genuine need to maintain accounts once established. UNHCR year-end cash holdings increased from $225 million in 2006 to $437 million in 2010, and over the same five-year period its total average cash holdings increased to just under $410 million.

43. During its interim audit, the Board recommended that UNHCR rationalize its banking arrangements. UNHCR subsequently informed the Board that it was rationalizing and centralizing its banking operations for Africa and Asia, but that it considered that it had a residual need for some local-currency bank accounts.

UNHCR believes that when this process is completed, it will have the minimum number of bank accounts necessary for effective treasury and operational management.

44. **The Board recommends that UNHCR, as part of the rationalization of its bank arrangements, centralize its banking arrangements at headquarters in order to gain maximum leverage from its bankers, and subject all accounts to a regular and critical challenge, closing any unnecessary bank accounts immediately.**

45. UNHCR accepted the recommendation and stated that it had put in place a comprehensive plan to continue implementing the roll-out of a centralized payments approach in the African and Asian regions and expected to complete that exercise by the end of 2011. More generally, UNHCR would perform quarterly reviews to confirm that there was a genuine continuing need for each bank account, providing a comprehensive analysis by type of account. UNHCR emphasized its need to have an effective and efficient bank account structure that would balance the needs of programme implementation in difficult areas worldwide, as well as to provide integrated cost-effective cash management and liquidity banking structures.

Bank reconciliations

46. Bank reconciliations are a key control aimed at safeguarding against fraud and error. The Financial Rules of UNHCR require that these be performed on a monthly basis. This is not an onerous requirement; many organizations in the public and private sectors maintain continuous or daily reconciliations.

47. In its previous report, the Board recommended that UNHCR ensure that its bank reconciliations were exhaustive and resolve unexplained differences between bank confirmation statements and the general ledger. While UNHCR agreed with this recommendation, the Board found significant failings in the bank reconciliation processes during 2010.

48. In 2010, the Board identified a backlog of 82 unreconciled bank accounts and 17 unreconciled investment accounts (with balances of $50.3 million and $325 million, respectively). This reflected an unacceptable failure in the operation of a key financial control. Before year-end, UNHCR reduced the backlog to 10 accounts with outstanding reconciliations (of which only 3 were active accounts, with a combined balance of $281,000), but the Board is concerned that a backlog in bank reconciliations was allowed to accumulate in the first place. The Board also found that where reconciliations had been performed, appropriate action had not always been taken to update the associated accounting records. Of 13 items identified by UNHCR staff as requiring reconciliation, no action had been taken in five cases, resulting in an audit error of $981,000.

49. **The Board reiterates its recommendation that UNHCR conduct exhaustive bank reconciliations and reconcile all differences with the general ledger. This should include, as part of the month-end financial procedures, the reperformance of a sample of bank reconciliations to assure management that reconciliations are timely and accurate and that items requiring reconciliation have been properly resolved.**

50. **The Board also recommends that UNHCR revise its policy on monthly bank reconciliations, drawing on international best practice, in particular with**

regard to the adoption of routine daily bank reconciliations on more active accounts. This will require UNHCR to identify its most active bank accounts, obtain daily transactional information from its bankers and update its internal procedures accordingly.

51. UNHCR accepted the recommendations and stated that it would make a concerted effort to reduce the number of items to be reconciled and clear the old ones. It would also implement the reperformance of a sample of bank reconciliations carried out by field offices as part of its month-end procedures starting in July 2011, and would revise its policy in order to perform routine daily general ledger bank reconciliation on more active accounts. From September 2011, routine automated daily bank reconciliations would be performed on its headquarters bank accounts.

Managing cash and investments

52. The total cash and term deposits of UNHCR as at 31 December 2010 amounted to $437.1 million, representing an increase of $54.5 million (14 per cent) over 2009 and an increase of $211.8 million since 2006. Over the five-year period since 2006, the total average cash holdings of UNHCR have increased to $409.8 million. The statement of cash flows (statement III) shows that UNHCR has increased its cash holdings by some $95.0 million over the past two years. The Board also noted that throughout 2010, UNHCR held an average cash balance of some $350 million in excess of its working capital fund. The fund is maintained to cover essential payments and guarantee obligations pending pledged contributions. UNHCR is therefore holding significant and growing cash assets. The interest earned on its cash investments in 2010 amounted to $1.1 million, compared with $2.3 million in 2009.

53. UNHCR attributed the increase in cash and term deposits at year-end to unforeseen specific contributions received late in the year, including earmarked flood-related contributions for Pakistan, inflating the average holdings for the year. UNHCR informed the Board that it held cash primarily to cover, broadly, two months' worth of expenditure. The Board will examine in its next report the implications of holding these cash balances for UNHCR planning and programme delivery, as well as cash flow and treasury management.

6. Non-expendable and expendable property

Non-expendable property

54. UNHCR is a globally dispersed operation and therefore is highly dependent on effective asset and inventory management. As at 31 December 2010, UNHCR held some $321 million in non-expendable property (recorded at cost). Following an emphasis of matter in 2009 relating to weaknesses in UNHCR asset registers, the Board noted that UNHCR had made progress in 2010 in cleansing its asset registers as part of its work towards the IPSAS transition and in the light of the concerns raised by the Board in 2009 about the quality of record-keeping in the field. The asset registers, while sufficient for disclosure under the United Nations system accounting standards, are still not sufficiently developed to be reliable enough for disclosure under IPSAS.

55. In 2010, UNHCR issued a new asset management policy in order to align with the International Public Sector Accounting Standards. The new policy redefines

property as property, plant and equipment, serially tracked items, inventories and consumables, and specifies which items are to be recorded in the UNHCR asset registers and how they are to be valued and accounted for. Despite the establishment of the new policy, the Board continued to find weaknesses in the management of non-expendable property. For example:

(a) The values of vehicles in service were overstated and did not reflect depreciation,[2] which gave rise to concerns about the integrity and valuation of recorded assets. For example, the Iraq operations data recorded eight Toyota Land Cruisers, purchased in 2003, each with historical cost and net book value of $99,000, far in excess of both the original purchase price paid by UNHCR and the fair value of the assets in 2010;

(b) The local asset management boards[3] met infrequently and had incorrectly interpreted write-off instructions from headquarters, which led to the erroneous write-off of assets and significant write-backs in the following year. The values involved were low given the age of the vehicles.

56. **The Board recommends that UNHCR intensify its efforts to cleanse the data supporting non-expendable valuations and enhance the guidance and information on asset management provided to country offices. The latter should include guidance on the frequency of local asset management board meetings.**

57. UNHCR accepted the recommendation, stating that in June 2011, its Supply Management Service had launched a global project to support all country offices in the validation of their property, plant and equipment and inventory, to be completed in September 2011. As part of that exercise, 21 of the largest country operations would be supported on-site by a team of in-house experts who would provide training to property, plant and equipment and inventory focal points and senior management to help to improve the understanding of property, plant and equipment accounting and the conduct of local asset management board meetings. Training courses would cover all regions and would be completed by December 2011.

58. UNHCR also stated that the remaining country operations with property, plant and equipment had been instructed to perform a validation of their property, plant and equipment during that period and would be subject to scrutiny. To support this, UNHCR had established an escalation procedure whereby monthly exception reports would be generated on delayed disposals, non-verified assets in the Management Systems Renewal Project, pending purchase order receipts, assets in transit, assets received but not in service, and assets more than 15 years old. Any critical matters identified in those exception reports would be followed up with the country property, plant and equipment focal points for resolution within one month and, if unresolved, would be referred to the Assistant High Commissioner for Operations for action.

[2] Although it is not required under the United Nations system accounting standards, UNHCR has a policy of depreciating its assets (see note 17 to the financial statements).

[3] The local asset management board is a key part of UNHCR asset control. It advises on the implementation of policies and procedures for the management and disposal of assets, the maintenance of satisfactory standards of accounting, and monitoring the quantity of assets and their disposal.

Expendable property management

59. In 2007, the Board recommended that UNHCR disclose the value of expendable property at the end of the year to provide more complete and accurate disclosure of its assets. UNHCR agreed with the recommendation. UNHCR has a global system for tracking the receipt, storage and dispatch of inventory items at all its warehouses. The information recorded in the system is verified by a physical inventory count performed annually at each location. While the system tracks quantity, it has never been able to produce an accurate valuation of inventory items; accordingly, an inventory value has never been reported in the financial statements. In 2010, UNHCR sought to develop its inventory management system to permit the accurate valuation of all items in the transition to IPSAS, with the intention of disclosing expendable property inventories in the financial statements for the year ended 31 December 2010.

60. The UNHCR global system for inventory recorded an expendable property value of $130 million as at 31 December 2010. During its field visits, the Board, despite the upgrading of the system, identified examples of differences between values recorded in the system and what UNHCR had actually paid for the items in question, and of valued stock that was obsolete and should have been recorded as having nil value. For example, during the audit of one warehouse in Iraq, we found that obsolete stock accounted for 52 per cent of the total $1.31 million inventory held, for which management had made no adjustment. The own continuing concerns on the part of UNHCR itself regarding accuracy led to the decision not to proceed with the planned change in accounting policy. As a consequence, expendable property is not disclosed in the 2010 financial statements.

61. The new asset management policy of UNHCR requires that a physical inventory count be carried out at least once a year. However, this may not be appropriate for field offices having particularly high inventory values or operating in a challenging environment, or for an organization that needs to respond quickly to emergencies, for which a more frequent count (perhaps quarterly) may be suitable. Accurate information regarding the condition, suitability and value of inventory is essential for operational purposes and a vital requirement for IPSAS compliance.

62. **The Board recommends that UNHCR refine and enhance its current stocktaking procedures in the light of lessons learned from the experience gained in 2010, including the need for more frequent counts, until the integrity of the systems is assured.**

63. **The Board also recommends that UNHCR regularly review all inventory items for obsolescence and damage and that it write down the values accordingly.**

64. UNHCR accepted the recommendations and stated that they would be addressed as part of its global project to have all inventory and property, plant and equipment at all country operations physically verified between June and September 2011, in addition to the physical counts to be performed at year-end. Depending on the results of the validation exercise, UNHCR would determine whether it would be necessary to continue the practice of two full physical counts per year or whether even more counts might be required for a particular period. In addition, all inventory items would be reviewed for obsolescence and damage during the physical counts, and written off, if required.

7. Progress towards the implementation of the International Public Sector Accounting Standards

65. In June 2010, the UNHCR Standing Committee[4] decided to delay the full implementation of IPSAS from 2010 until 2012. UNHCR acknowledged that it had underestimated the scope of what IPSAS implementation required, and that it had allocated insufficient resources to the project. Subsequently, further delays have arisen as a result of the multiple priorities faced by UNHCR, including the updating and preparation of UNHCR software to support results-based management and the introduction of a new budget structure as at 1 January 2010.

Project governance

66. The sponsor of the IPSAS implementation project of UNHCR is the Deputy High Commissioner. A steering committee has been established, comprising senior UNHCR management, and, beneath the steering committee, a business owners' committee is responsible for managing the practical implementation of the project. In July 2010, UNHCR appointed an experienced IPSAS project manager, who is supported by a project team of 12 full-time staff members.

67. Since the project's inception, UNHCR has increased from an initial 5 to 11 the number of working groups, which formulate, test and document the new accounting policies. The working groups have been enhanced through the addition of contracted experts on accounting and enterprise resource planning systems. The Board considered that the governance arrangements were sufficient and appropriate. While it may be appropriate to use contracted expertise during implementation, however, over the longer term UNHCR will need sufficient and appropriately qualified staff to deliver and secure the benefits of IPSAS following the adoption of the Standards.

Implementation plan

68. The plan presented to the Board in May 2011 identifies some 1,700 implementation project processes, specifies actions for each working group and provides a timeline for deliverables. There is slippage against certain deliverables, but it is unclear to the Board whether this poses a threat to the 2012 implementation target. UNHCR informed the Board that it had recently updated and rescheduled its IPSAS project plan to take account of the accounting policies and business requirements for IPSAS compliance identified in the "scoping and planning phase".

69. **The Board, in the light of the earlier slippages against the IPSAS implementation plan and the time now available, recommends that UNHCR intensify the frequency and depth of its managerial review of progress.**

70. In preparation for IPSAS implementation, UNHCR issued new asset management accounting policies in 2010 and introduced systems for capturing sufficient information to comply with International Public Sector Accounting Standard No. 17, on property, plant and equipment. UNHCR had planned to make enhanced asset disclosures, including valuations and quantities, under the United Nations system accounting standards in its 2010 financial statements, as recommended by the Board, but did not sufficiently cleanse and validate its asset

[4] The Standing Committee was established as a subsidiary organ of the Executive Committee to review the implementation of programmes and policies throughout the year.

data to permit such disclosure. The Board is concerned that as a result, staff in the field and elsewhere are still not familiar with the requirements for valuing and recording asset values.

71. The project team maintains a project risk register, which identifies seven risks posed to successful implementation in 2012. Four of those risks are considered by UNHCR to be both highly probable and high-impact:

(a) Problems related to the integrity of its accounting data and their impact on the opening and closing balances. UNHCR has commenced its data cleansing exercises, but has not yet defined its performance metrics in that area, as it is not yet certain about the scale of this exercise;

(b) The IPSAS financial statements of UNHCR will not fairly represent its financial position and performance, and may be unable to disclose performance against the cash budget reconciled with the accruals accounts;

(c) The development of new reconciliation procedures for inventory and property, plant and equipment, given the scale of change required throughout the organization, to ensure IPSAS compliance;

(d) Insufficient time to deliver training before the "go-live" date. UNHCR has not yet developed a mitigation strategy for this risk.

72. The Board considers the risks identified to be real and believes that data integrity and change management through training, in particular for the country offices, are the main challenges in meeting the implementation target. The Board considers the lack of readiness and the low level of financial management capacity in the country office network to be major risks for the implementation timetable. As the project approaches the critical "go-live" phase, it will be important that the risk register be regularly updated and reviewed in detail by the project steering committee at each meeting, and that mitigating strategies be updated or developed.

73. **The Board recommends, as a matter of priority, that UNHCR: (a) review and cleanse its accounting records, including all asset and liability balances; and (b) enhance its month-end closure procedures in order to fully reconcile all accounts and maintain the integrity of accounting records.**

74. UNHCR accepted the recommendations and stated that its implementation plan included a planned comprehensive review of the accounts and their reconciliation, from ledgers to sub-ledgers. The IPSAS implementation team would be strengthened through the hiring of additional accountants to conduct the reconciliation of all balances.

Revision of the Financial Rules for Voluntary Funds

75. The IPSAS implementation team is currently working on revisions to the UNHCR Financial Rules for Voluntary Funds to reflect the adoption of accruals accounting for approval by the standing committee in the autumn of 2011. The planned changes were shared with the Board in June 2011 and are currently under review.

Development of draft model financial statements

76. Developing a "dry-run" model set of accounts, including the core statements, note disclosures and accounting policies to be adopted, will provide UNHCR with an early opportunity to test its readiness to produce IPSAS-compliant accounts. It will also enable the Board to identify potential weaknesses and provide advice in advance of IPSAS implementation. The implementation plan envisages that a model set of accounts will be completed and validated by the Board in November 2011. The Board is concerned, however, at the limited amount of time and the lack of clarity as to whether the dry-run accounts will contain real accounting data, and has yet to see the plans. Without a dry run with real data, it is unlikely that an organization as complex as UNHCR will be able to receive an unqualified audit opinion within the planned implementation time frames.

77. UNHCR informed the Board that it had benchmarked its draft financial statements against those of the World Food Programme (which are already IPSAS-compliant) to determine what revisions and disclosures were required. The Board noted that those considerations had been factored into the IPSAS implementation plan.

78. **The Board recommends that UNHCR establish a clear plan for a "dry-run" set of accounts with real accounting data.**

79. UNHCR stated that it had scheduled dry-run audits for April and August 2012 and that it would share its plans with the Board.

Audit of opening balances

80. The development of model financial statements will be supported by an exercise to establish opening balances for assets, liabilities and reserves for the first year of implementation. This will be, in effect, the starting point under full accruals accounting, on the basis of which the opening statement of financial position will be established. The IPSAS implementation team anticipates that opening balances will be recorded by 30 April 2012 and validated by 11 May 2012. Furthermore, the Board notes that the project plan includes provision for the 2011 United Nations system accounting standards audit and two dry-run closes, in April and August 2012, with accompanying audit verification. The Board considers that these processes are essential to successful implementation, but that the implementation plans lack sufficient detail as to how the critical milestones will be met.

81. **The Board recommends that UNHCR establish a clear plan for the creation of opening balances, and that the plan be shared with the Board as soon as possible. The plan should provide sufficient time to enable the Board to conduct an audit of the opening balance sheet no later than three months before the conclusion of the first "live" year of IPSAS implementation.**

Managing the delivery of the full benefits of the International Public Sector Accounting Standards

82. The Board found no evidence that the intended benefits of IPSAS adoption were formally linked to the objectives of the project and were being tracked, or that UNHCR had a benefits realization plan. If UNHCR is to successfully realize the intended benefits of adopting IPSAS, it is essential that the benefits be adequately

documented and quantified at inception, and thereafter actively managed, monitored and reviewed to ensure that they remain current.

83. Once IPSAS compliance is achieved, UNHCR will have more accurate, timely and comparable information on inventory, non-expendable property, investments and future liabilities. If that information is not used to permit informed decision-making on resource deployment and identify opportunities for improved cost-effectiveness, many of the potential benefits of IPSAS adoption will be lost. It is therefore important that operational areas engaged with IPSAS adoption be thinking now about how they can use this new information to drive cost-effectiveness.

84. The Board recognizes that the full benefits of IPSAS will come over time, but the process of planning for their realization should start as soon as possible. It is currently unclear who in UNHCR is accountable for the delivery of benefits. Business owners have not signed up to deliver quantifiable benefits attributable to their area of the business, and cannot say how benefits will be achieved or measured. Without a clear vision of benefits realization and clear accountability for delivery at the business unit level, there is a risk that potential benefits will be unnecessarily delayed or lost. Without clear and formally agreed plans specifying what business changes will be implemented, there is a risk that business owners or other stakeholders will resist or reject the changes needed to achieve benefits.

85. **UNHCR agreed with the Board's recommendation that, in refining the implementation strategy, its IPSAS implementation team clearly identify the objectives and envisaged benefits of the IPSAS project and develop a methodology to track and manage benefits realization.**

86. It is vital that all staff understand the impact of the new reporting regime on their day-to-day activities. Without the allocation of sufficient resources to training and change management, there is a real risk that IPSAS will not be understood and that the intended benefits will not be realized. UNHCR includes "change management" as one of the five main work streams in its IPSAS implementation strategy. It has developed a risk-based change management plan and appointed a senior change management officer to coordinate the planned activities required until December 2012, including training and communication. A key ongoing task is identifying all those managers in UNHCR who require training or engagement, including communication of the specific requirements that they will need to deliver in order to facilitate successful implementation, and to design and deliver such training.

87. The Board has seen no evidence of a clear vision of what needs to be achieved or how to achieve it, including:

(a) How the use of accruals-based information and the active management of balance sheets and cash flows will support improved financial management, decision-making and accountability, and more cost-effective ways of working;

(b) What role the finance function will play in improving UNHCR performance and providing sophisticated information for decision-making;

(c) What training is needed for policymakers and operational managers on the new information and how it can be used to enhance, for example, performance measurement, activity costing and investment appraisal.

88. **The Board recommends that UNHCR enhance its organization-wide change management programme for IPSAS by specifying how senior management in every business unit must take ownership of and drive the delivery of the intended benefits during and after IPSAS implementation.**

8. Performance reporting and results-based management

89. UNHCR began to develop a results-based management framework in 2005 as a key part of a programme of major changes to improve the management of its operations and its performance reporting to donors. The Board examined the progress made by UNHCR in developing results-based management, specifically its reporting from its country network through its five Regional Bureaux, which act as the channel between top management[5] and the organization's operations; and its progress in implementing supporting processes and mechanisms, including the Focus system.[6]

Capturing sufficient and relevant performance information

90. The UNHCR Focus system provides the framework for performance management at the country level, structuring the planning and monitoring of services around common objectives and goals. Focus has been used for planning UNHCR work in 2010 and 2011 and has provided an improved and shared understanding among country offices of UNHCR business priorities. The Board notes, however, that:

(a) Focus has not yet been fully populated with monitoring data, with the amount of available data varying greatly by country office;

(b) The accuracy and reliability of performance data are highly variable;

(c) There is an unmet need to balance indicators tailored to local circumstances against the need for consistent reporting across the UNHCR network to permit meaningful aggregation and comparisons;

(d) Indicators focus largely on volumes of activity; few are designed to measure the quality, timeliness or efficiency of the delivery of programmes and services.

91. The Board notes that, while country offices assume a significant administrative burden in populating Focus with data, they as yet see limited value in assistance in running their operations more cost-effectively. UNHCR is taking action to simplify planning processes, reduce reporting requirements, and improve data quality and reporting. A key challenge for UNHCR will be to balance the need to moderate the demands at the country against the need to ensure that performance information becomes more robust, relevant and useful at the corporate level. The Board is concerned, however, that after six years of implementing results-based management, UNHCR faces a risk of growing fatigue, waste of limited management time and

[5] Top management in UNHCR comprises the High Commissioner, a Deputy High Commissioner, and two Assistant High Commissioners responsible for Country Operations and Protection of displaced populations. There is no formally constituted "Board".

[6] Focus is a networked software application developed in-house by UNHCR to plan, record and report country-level and programme-level goals and achievements.

diminishing compliance unless it can streamline its performance measurement efforts and focus them on mission-critical activities.

92. **The Board recommends that UNHCR streamline its performance measurement to focus on mission-critical activities in a more comprehensive way, embracing output volumes, service quality and efficiency of delivery. The prioritization of activities is a managerial responsibility, but criteria should include financial materiality, or the extent to which activities are planned to materially benefit major populations of concern.**

93. UNHCR accepted the recommendation and stated that it fully recognized the issue identified by the Board, as it had arisen in feedback from staff. A revised and simplified UNHCR results framework had been prepared early in 2011, drawing on the lessons learned during the first full year of implementation, in 2010, and would be applied to UNHCR operations in 2012. UNHCR also stated that a working group would continue to review and improve the output and related performance measures so that they would support the monitoring of both quantitative and qualitative aspects of performance. UNHCR would also identify a set of "core indicators" focused on mission-critical areas and tangible improvements in the situation of the populations of concern to facilitate regular and closer monitoring of its global strategic priorities.

Performance reporting

94. Although UNHCR operates with a devolved structure, senior management is ultimately accountable for performance and the use of resources across the network, and the Board sees the Focus system and reports as the means to achieve this. The Board expects to see good use being made of the Focus system to provide reports with aggregated data in order to permit easy interpretation by senior management and to support meaningful comparisons between country operations. The reports should focus on cost-effective performance and achievement, and should inform management decisions regarding where to allocate resources to ensure the best value for money.

95. The Board notes that, while Focus has huge potential, its reporting is not yet fully functional and staff awareness of its reporting capability is low. As a result, reporting from the UNHCR country network to top management does not yet draw particularly on Focus, with reporting formats varying by region and by country. The use of graphs, trend data and indicators is rare. Most reporting focuses on the rapid identification of developments and issues in the countries in which UNHCR operates. While this enables senior management to react quickly to crisis situations, it does not provide a systematic analysis of performance or underpin accountability.

96. The timing of most country-based reporting through Focus is linked to resource allocation decisions at mid-year and year-end. Data presented in planning and mid-year reviews focus primarily on spending against the budget (through an "implementation rate" measure) and on justifications for budget increases. The Board found that the analysis of comparative cost-effectiveness was limited and that the linkage between expenditure and results was unclear and not evident.

97. The five Regional Bureau Directors of UNHCR informed the Board that, although the reports they received were useful in that they provided a picture of ongoing operational developments, they lacked structured analysis of the progress

and impact of programmes. The Directors were unable to use reports to make comparisons with their region; to link financial reporting systematically to performance; to identify common themes as well as gaps and obstacles in achieving objectives; or to easily identify points requiring a decision or action. The Board considers that there is scope to reduce the amount of management time spent dealing with an unpredictable flow of ad hoc information and listing contextual developments in countries, and to make reporting more structured and easier to assimilate.

98. UNHCR informed the Board that phase 2 of the development of Focus was intended to enhance the system's management and reporting functions, and to provide integrated financial and performance information, as well as comparative and quantifiable analysis of performance at the country, regional and global levels in terms of the global strategic priorities of UNHCR. It would also provide functionality for more frequent in-year performance monitoring. Many organizations use "scorecards" or "dashboards" to present key information in a digestible way so as to steer top management towards priorities for intervention. The Board notes that there are tentative "scorecard" fields in Focus, but that that function has not yet been implemented.

99. **The Board recommends that UNHCR develop comparative and cost-based information to improve the evidence base for allocation decisions and provide a stronger link to enforce accountability. Particular emphasis should be placed on allowing for comparisons between country operations, on the relative contributions made by UNHCR to changes in the conditions of populations of concern, and on linking financial and output data to assess efficiency and cost-effectiveness.**

100. **The Board also recommends that UNHCR develop a summarized scorecard to enhance the senior management review of performance and risks at the country and corporate levels, aligned with the development of Focus, in support of the implementation of results-based management.**

101. UNHCR accepted the recommendations. It stated that the planned upgrading of key business reports in Focus would be completed by 31 March 2012. A working group with external expert support was consulting on the business process changes required for the design of new business reports, and it was expected that the reports would reflect the measurement of impacts as well as planned and actual costs in order to facilitate assessments of cost-effectiveness. The resulting reports would be developed as part of the improved Global Focus information service, planned to be made available to managers and staff from the beginning of 2012. Consideration would be given to presenting evidence of performance and risk in a scorecard format to enable senior managers to quickly identify where available and potential resources could be invested to greatest advantage.

Programme evaluation

102. Programme evaluation is a key element of results-based management; it identifies the impact and the effectiveness of interventions in ways that regular progress monitoring does not. The regular monitoring of activities, in particular the delivery of outputs to displaced populations, needs to be supplemented by periodic and detailed evaluation if UNHCR is to assess the impact of its work.

103. UNHCR has a small but experienced policy development and evaluation team in Geneva that undertakes or commissions evaluations. Its size, however, limits how many evaluations it can conduct, and it has also focused on delivering evaluation workshops to more than 100 UNHCR staff. The Board found little evidence of systematic and independent evaluation commissioned in the country operations it visited, however, and attributes this to a lack of awareness of existing guidance within country offices and to the lack of an explicit requirement to include evaluations in project plans and budgets.

104. **UNHCR agreed with the Board's recommendation that it re-establish and entrench the principles laid down in its own guidance by establishing at the country level a policy clearly specifying the circumstances in which country operations should normally commission programme and project evaluations, and requiring explicit planning and budgeting for evaluation during project design.**

9. Risk management

105. The Board notes that UNHCR does not have a formal and systematic organization-wide approach to risk management, including a corporate risk register, despite attempts to establish such an approach in 2005 and 2008. There are considerable volumes of ad hoc, narrative reporting on risks from the country network through Regional Bureaux, considering mainly the current and potential impacts of external events, such as political instability or conflict, and relationships with partners. But the consideration of risks within the organization is much less evident. Bureau Directors acknowledged that risk assessments should be better documented and formalized to guide workplans, mitigation strategies and interventions.

106. The Board considers that, in addition to the fact that structured risk management is essential for any well-run organization, there are strong reasons for introducing it in UNHCR. In particular, there is a need for consistent assessment, escalation and mitigation of diverse risks across a globally dispersed organization operating in insecure environments that pose specific risks to staff and delivery (the Board is aware that analogous organizations highlight such risks prominently in their corporate risk registers for the attention of management). The reliance of UNHCR on voluntary funding also leaves it particularly exposed to reputation risk in the event of any conspicuous failure, and it needs to seek cooperation from other humanitarian and development partners, which are themselves developing increasingly more structured risk management approaches.

107. **UNHCR accepted the Board's recommendation that, as a matter of urgency, it establish a simple organization-wide risk management approach, building on existing reporting arrangements.**

10. Implementing partners

108. UNHCR uses more than 800 "implementing partners" to deliver some 1,600 projects worldwide. These partners include Government agencies, national and international non-governmental organizations and other United Nations agencies (see figure II.1). They deliver such services as shelter construction, education, health care, water and food, and legal assistance. In 2010, approximately one third

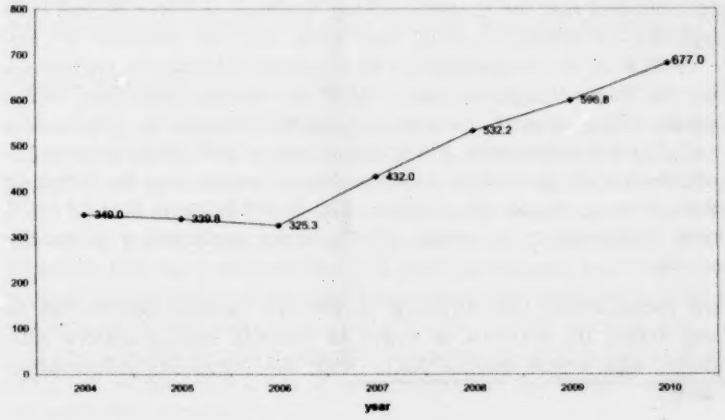
of UNHCR expenditure ($677 million) was channelled through partners, and the total amount spent through partners is growing year by year (see figure II.2).

109. In 2010, UNHCR launched a review of its management of implementing partners, and during the course of the audit it shared the results with the Board. The recommendations contained in the review take account of many of the recommendations raised by the Board during the interim audit and in the present report.

Figure II.1
Types and numbers of implementing partners in 2010

Source: Board analysis of UNHCR inter-agency service data.

Figure II.2
Spending through implementing partners over time
(Millions of United States dollars)



Source: Board analysis of UNHCR inter-agency service data.
Notes: Expenditure is paid in instalments to partners. There may be adjustments to instalments during the year.

Governance and management information

110. Responsibility for managing implementing partners is dispersed across UNHCR, limiting its ability to assess how well they are being managed across the organization and are balancing financial and operational aspects, to mandate practice and to monitor compliance and consistency. At headquarters, three divisions cover, respectively, policy and guidance development, corporate relationships, and audit certification and financial monitoring. Country offices are responsible for selecting, monitoring and paying partners within the policy framework set by headquarters.

111. The Board understands that UNHCR is considering how to improve the management and reporting of implementing partner performance, which, in the first instance, will involve establishing a unit to further develop a risk-based approach to partner management. Consideration will also be given to combining its headquarters functions within a single oversight unit. If it is to be effective, the new unit and structures will need to have sufficient authority to monitor country offices and hold them accountable for compliance with centrally determined procedures.

112. At the country level, the Board found that the compliance of country offices with policy varied widely, in particular the frequency and depth of the monitoring of partner performance and expenditure. We also found examples of poor performance information and reporting and, typically, the lack of a strategic overview of key projects, progress against milestones, and assessments of potential risks to delivery. By contrast, UNHCR Iraq's project-tracking database, although not producing aggregated management information with which to assess partnerships as a whole, held data that could potentially support comparisons between partners or between areas with the same partner, in order to analyse trends, identify common problems and inform decisions on the allocation of future work. The Board notes that the UNHCR central database of partner information does not currently include performance data.

113. The Board considers that the project-tracking database at UNHCR Iraq may have wider applicability across UNHCR, but there was no evidence of any assessment by UNHCR of its compatibility with corporate information technology structures. While the Board recognizes that UNHCR encourages innovation within its devolved country office network, its own accountability framework emphasizes the importance of effective information and communications technology governance and oversight of information technology developments in maximizing the return on investment and developing compatible systems. The Board believes that UNHCR needs to do more to determine the value and the wider applicability of locally developed solutions.

114. **The Board recommends that UNHCR review the various approaches to project tracking across its network in order to identify best practices with wider applicability and assess compatibility with the corporate information technology strategy.**

115. UNHCR accepted the recommendation, stating that its ongoing development and enhancement of Focus would support an effective and consistent project-tracking system. It informed the Board that the lessons learned from the project-tracking system used in its Iraq operations would be incorporated into the enhancement of Focus, but that that system had been developed to meet very

specific operational requirements. The Board remains of the view that there are clear and valuable lessons to be learned from the system in Iraq, which potentially enables country teams, in a way that Focus cannot, to verify and track individual activities in insecure environments, such as the building of a shelter or other asset; to photograph such activities, using geotagging; and to use this case work to summarize progress, trends and variations within a programme.

Management oversight of partners

116. In principle, UNHCR adopts the same approach to managing its partners, regardless of their size, location or previous performance or the nature of the services delivered. This one-size-fits-all approach is inherently inefficient, diverting management time from higher-risk partners. UNHCR issued a "pre-selection checklist" in 2009 to help country teams evaluate the risks of working through particular partners and to ensure that selected partners meet required preconditions.[7] Use of the form is not mandatory, but has the potential, if redesigned, to help country teams target their oversight efforts at higher-risk partners. UNHCR is currently considering a new risk-based approach to managing partners. The Board considers that the uneven application of the current, one-size-fits-all management approach must be addressed if a new, more complex, risk-based approach is to be successful.

117. **The Board recommends that UNHCR adopt a risk-based approach to managing partners on the basis of clearly defined requirements, objective and well-evidenced risk assessment of partners, and robust arrangements to monitor its consistent application by country offices.**

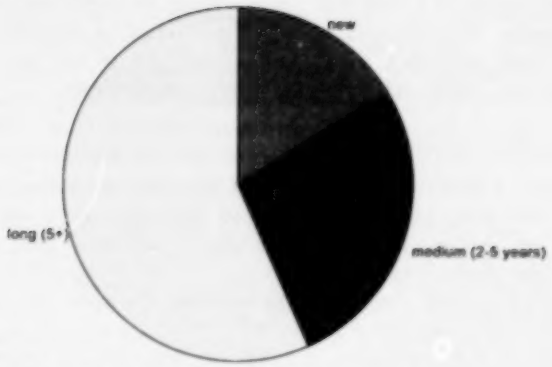
118. UNHCR commented that its own review of implementing-partner management had resulted in very similar conclusions regarding the weaknesses in the one-size-fits-all approach and the need for a more risk-based approach. It had decided to implement a "differentiated risk-based approach" to implementing-partner management and to allocate resources for its application. The Board's recommendation would be taken into account in taking this initiative forward.

Partner selection

119. While in some locations the numbers of its partners are limited, in most locations UNHCR has a genuine choice in terms of which partners to select. The periodic testing or reconsideration of partners, so that partners cannot assume that they will be selected or will continue to be engaged, is an effective way of enhancing performance and reducing the risks of corruption. The Board found, however, that most partners had had their agreements renewed over several years without having had their cost and performance benchmarked against alternatives. In addition, turnover was low, with UNHCR having worked with an average of 145 new partners in each of the past five years; more than half of its partners (57 per cent) had worked with UNHCR continuously for more than 5 years, and 28 per cent for more than 10 years.

[7] See UNHCR inter-office memorandum/field office memorandum No. 003/2009.

Figure II.3
Duration of partnerships



Source: Board analysis of UNHCR inter-agency service data.

120. The Board found that the rationale of and the approach to selecting partners at country offices were variable. For example, two UNHCR offices required the completion of standard justification forms, one of which included a cost-benefit assessment. This justification form had to be ratified by a selection committee. In the other offices, we found little evidence of an objective or documented selection process, with limited review of other providers or comparative analyses of capacity and "fit" with requirements.

121. The Board notes that, even where a selection process is evident, cost-effectiveness is not an important criterion in evaluating potential partners or selecting partners, either in guidance or in practice. In order to be selected, partners must meet four obligatory conditions (for example, they must be legally registered and have a bank account). Of the 11 additional criteria listed in guidance, factors such as "local experience", "quality of service" and "rapid response" are prominent.[8]

122. UNHCR country teams have a disincentive to explicitly test the relative value for money of commercial procurement, because partnering is a less time-consuming and costly process. Whereas procurement requires competitive tendering and Contracts Committee approval, selecting and appointing partners, despite their importance to UNHCR delivery, requires far less extensive procedures. The UNHCR Supply Management Service informed the Board that the decision to opt either for partnership or for procurement was a matter left to UNHCR country programme units. We found, however, several examples of commercial services being provided by partners (construction services in Pakistan, logistical services in the United Republic of Tanzania) in which competitive selection may have been more appropriate and cost-effective, but we were unable to quantify the global scale of the practice, as UNHCR does not compile such data.

123. Even where partnering is the obvious delivery mechanism, the Board considers that transparent, competitive (or at least evaluative) and well-documented

[8] See UNHCR operations manual handbook, section 1.6; and UNHCR manual, section 5.1, paras. 3.3 and 3.4.

arrangements for the appointment of implementing partners are important if UNHCR is to minimize risks of corruption (given that spending is significant in higher-risk locations) and ensure improved cost-effectiveness and performance. UNHCR informed the Board of various arguments for not ensuring a competitive process, which may have some validity in local circumstances; those arguments include the absence of commercial suppliers, the requirement for supplier experience in dealing appropriately with displaced persons, and the lack of capacity in UNHCR teams to manage commercial suppliers or sub-contractors directly. The Board is concerned, however, that genuine opportunities to improve partner performance or to gain access to commercial alternatives are being passed up without proper consideration.

124. **The Board recommends that UNHCR impose mandatory requirements on its country operations to consistently:**

(a) **Document their justifications for partner selection, including explicit consideration of value for money, building on examples of good practice;**

(b) **Formally assess the market for alternative partners at regular intervals (with once every five years as the absolute minimum);**

(c) **Consider the alternative of commercial procurement whenever seeking a market-traded service, and document the justification when selecting a non-commercial partner without having tested the market.**

125. UNHCR commented that it had already issued instructions to all field operations to improve partner selection and retention processes, including: (a) to establish a local partner selection committee; (b) to improve selection criteria to enhance the implementing partner checklist, covering added value, cost-benefit analysis and expected impacts; (c) to establish proper and full documentation of all selection processes and decisions; and (d) to establish a programme of inspection and review to provide assurance that the enhanced instructions are being complied with. Those improvements are being reinforced by headquarters support missions and workshops. Further enhancements of the instructions will be made in respect of the Board's specific recommendations on, for example, assessing the market for alternatives at least every five years.

Monitoring partner delivery and performance

126. Partner sub-agreements include performance frameworks intended to link the objectives and activities of a project with appropriate indicators and targets to assess performance. The frameworks, and subsequent monitoring through six-monthly reporting, are one of the main methods used by UNHCR to assess and manage partner performance. The Board observed that each partner sub-agreement included a performance framework, but notes a number of shortcomings, including:

(a) Performance indicators focus predominantly on volumes of activity, and rarely on beneficiary satisfaction or aspects of service timeliness or quality. For example, warehouse services could usefully include measures for stock accuracy or service timeliness, rather than focusing only on the number of items handled, and protection work with displaced persons could cover aspects of beneficiary satisfaction or service awareness as well as the number of cases handled;

(b) Targets and performance indicators generally lack quantified baselines or targets at the start of an agreement and intermediate milestones to assess progress within the year, and in some cases the most material aspects of projects have very few indicators.

127. **UNHCR agreed with the Board's recommendation that the range of indicators used in partner agreements be broadened through revised guidance and that performance frameworks be subjected to management authorization before agreements are signed.**

128. **UNHCR stated that this would be taken forward as part of its broader development of performance reporting.**

129. In order to ensure good oversight of partner activities, it is important that UNHCR obtain sufficient and reliable information on partner performance. The Board previously recommended that UNHCR formalize the monitoring of project implementation progress and keep a record of the checks made. While UNHCR appreciates the importance of monitoring the progress of project implementation against performance indicators established at the outset of a project, the Board continued to find the lack of a consistent approach to the documentation and recording of monitoring visits in 2010.

130. UNHCR guidance requires country offices to verify that partners are making progress towards agreed results and that funds are used exclusively for the purposes outlined in the sub-project agreement. Country offices do so through quarterly financial monitoring reports from partners, and through mid-year and year-end narrative reports on progress. It is important that financial and progress reports from partners be periodically validated:

(a) The Board found that the frequency of financial validation varied from one to four times a year, and that its content also varied. Country offices had developed financial monitoring templates, but the content and depth of testing was inconsistent, and the UNHCR programme staff conducting the checks did not always have the appropriate financial skills to identify and make queries on financial issues;

(b) With regard to performance monitoring, programme staff used phone calls, e-mails and missions to monitor and validate reported progress and were testing new approaches such as refugee hotlines (to report problems) and Global Positioning System software. The Board noted, however, that such monitoring was not clearly tied to the partner's sub-agreement objectives and workplan, with limited documentation of the scope, frequency and results of independent review.

131. More broadly, financial and performance reporting are conducted as separate, rather than integrated, activities, with payments to partners rarely based on the delivery of outputs or the achievement of outcomes. The Board understands that multifunctional monitoring teams have been introduced in 2011 in some country offices and that UNHCR envisages that this will lead to better comparisons of budget spent with the proportion of target activity achieved, in support of payments to partners.

132. It is important that, where problems with partner performance are identified, appropriate and timely follow-up action be taken. The Board found that country office approaches to tackling poor partner performance varied. In some country

offices, there was clear evidence of active follow-up of poor partner performance and the withholding of payments; in others, this was less apparent. In one case, the Board noted that, despite management awareness of severe and sustained underperformance against objectives (involving severe reductions in planned protection activities with vulnerable groups), there was no evidence that the partner had been held to account, or any coverage of the issue in site monitoring reports. The Board had raised this case with UNHCR headquarters.

133. **UNHCR agreed with the Board's recommendation that, in developing its new management approach and to help improve consistency, it establish common checklists that can be issued to officers in the field to detail the partner visits they undertake. The checklists should emphasize the need for firm action by country offices to tackle partner underperformance, and should require full documentation of the action taken. This recommendation replaces the Board's previous recommendation.**

134. UNHCR commented that this recommendation would be considered part of the wider review of improved implementing partner management.

Audit certification

135. One of the main means by which UNHCR obtains managerial assurance that partners are spending funding appropriately is an independent audit certification process. The Board qualified its 2008 audit opinion owing to a lack of timely independent audits, commissioned by UNHCR, of its partners' expenditure. For 2010, the Board noted that UNHCR had received 99 per cent of the expected partner audit certificates by May 2011, covering more than 99 per cent of the $677 million in partner expenditure in 2010.

136. The UNHCR analysis of the audit reports revealed that 40 projects, with total expenditure of $28 million, had modified opinions. The Board reviewed the 13 qualified audit reports in which the project expenditure exceeded $500,000, covering a total of $20.5 million of the $28 million. We found that the auditors had identified errors totalling $597,000 in partner expenditure, and, given the likely level of error in the remaining modified opinions (3 per cent), the total of all errors was not material. UNHCR is pursuing the identified issues with its partners and intends to take corrective action or recover the money where appropriate.

137. While UNHCR has established effective processes to follow up on qualified audit certificates and the errors and uncertainties identified in payments made by partners, the Board noted the absence of suitable, high-quality review of unqualified audit certificates. In particular, the Board found little evidence that the areas of weakness identified in management letters on unqualified opinions were being systematically analysed and addressed by UNHCR.

138. **The Board recommends that UNHCR review and reconcile the management letters issued by the independent auditors against implementing partner financial monitoring reports, with follow-up action taken where appropriate.**

11. Protracted refugee situations

139. Some 5.5 million of the 10 million refugees served by UNHCR have been in "protracted refugee situations" for more than five years. UNHCR has identified approximately 25 such situations worldwide, each of which has already lasted

approximately 20 years on average. UNHCR declared in 2007 that "the consequences of having so many human beings in a static state include wasted lives, squandered resources and increased threats to security".[9]

140. Part of the role of UNHCR, embedded in its mandate since 1950, is to seek durable solutions to situations, and reducing dependency on UNHCR is a major objective, but there has been only limited success in implementing complete and durable solutions since the 1990s. The main solutions pursued are the voluntary repatriation of refugees to their countries of origin, integration into the host countries and settlement in third countries, but there are many institutional, financial and political challenges to those solutions. For example, UNHCR must rely on the participation and support of other United Nations entities and Governments to implement solutions, and in some situations the original causes of refugee displacement (typically, instability and conflict) continue to prevail.

141. Protracted refugee situations are a strategic issue for UNHCR with significant resource management implications. The Board therefore examined how well the resource implications of situations and durable solutions were understood within UNHCR, and how country operations were managing risk and uncertainty in developing solutions and making progress in working together with other United Nations agencies.

Governance and resources

142. In 2008, UNHCR launched a Global Plan of Action on protracted refugee situations, targeting five specific situations that it considered most amenable to positive change and that, if successfully resolved, could act as exemplars for solutions in other countries (see table II.1).

Table II.1
The five protracted situations prioritized under the Global Plan of Action

Situation	*Dates of origin of situation*	*Number of refugees (as of 2010)*	*Primary durable solutions*	*Current status of solutions*
Eritreans in Eastern Sudan	Successive waves in 1980s and 1990s	149,000	Local integration: improved livelihood and self reliance	Joint plan of action in development for presentation to donors
Burundians in the United Republic of Tanzania	1970s	240,000	Voluntary repatriation to Burundi (46,000) and naturalization and integration in the United Republic of Tanzania (172,000)	Voluntary repatriation implemented; local integration programme at joint-plan-of-action stage
Myanmar nationals in Bangladesh	1991-92	29,000 in UNHCR camps and an estimated 200,000 in the wider community	Development programme for main refugee hosting areas	Proposed joint plan of action initially rejected in 2010 by the host Government and now in discussion

[9] See EC/54/SC/CRP.14.

Situation	*Dates of origin of situation*	*Number of refugees (as of 2010)*	*Primary durable solutions*	*Current status of solutions*
Afghans in Pakistan	Successive waves from 1979	1.8 million	Development programme for main refugee hosting areas	Programme in implementation
Croatians in Serbia	1991	61,000 (including some 1,000 in refugee centres and 8,000 vulnerable people in private housing)	Voluntary repatriations to Croatia have largely ceased; emphasis is on integration for those wishing to remain in Serbia	UNHCR aims to end its operations in 2011, with the Serbian and Croatian authorities providing housing for those still in collective centres and those in low-quality private accommodation

Source: Principally, "Overview of major protracted refugee situations", UNHCR, February 2010.

143. The Global Plan of Action is a strategic initiative. However, the Board found that it had been implemented as a series of separate projects without a single senior accountable owner, and that corporate involvement was widely dispersed across UNHCR headquarters and country operations. In part, this reflects the fact that UNHCR delegates the leadership of individual projects to the country level. For the Plan as a whole, the Board found no targets or aggregate measures against which to assess how far the Plan was addressing the overall protracted refugee problem, nor any tracking of how UNHCR had deployed its resources across this strategic priority. The Board analysed data on 11 situations (involving two thirds of all refugees in situations) and notes that:

(a) Protracted refugee numbers have fallen by a net 0.6 million since 2007. This figure is lower than what is implied by the recorded figure of 1.2 million refugees passing through solutions, and is probably explained by offsetting growth in refugee births or new arrivals;

(b) UNHCR expenditure on these populations remains significant and is planned to grow to $300 million in 2011, representing 150 per cent growth since 2007. In comparison, the amount identifiable as spent on durable solutions appears to be relatively small but growing, having risen from some $22 million in 2007 to $42 million in 2009.

144. UNHCR intends to shift more of its resources from the "care and maintenance" of protracted refugee situations to durable solutions over the next three to five years, but currently lacks complete financial and quantitative data (such as on population and migratory trends) on all situations, which would enable it to track the results of this initiative and the changes in situation populations attributable to durable solutions. The gap in information arises not only from the absence of a single corporate point of ownership for protracted refugee situations, but also from the fact that, prior to 2010, UNHCR financial and planning systems did not define protracted refugee situations as an accounting and output category. The inability of UNHCR to regularly track progress on, and the resource implications of, this major cross-cutting strategic initiative is a serious barrier to effective resource management; however, we note that UNHCR has made protracted refugee situations a data-capture category for 2012/13.

145. **The Board recommends that UNHCR establish a single senior point of ownership for protracted refugee situations that has sufficient authority to monitor and address progress on all situations and to hold country operations to account.**

146. UNHCR commented that it fully recognized the issue of fragmentation identified by the Board, and that it would need to assess how to implement the Board's recommendation and determine the approach and organizational structure needed to manage protracted situations more effectively. The timetable for implementation would be dependent on other priority actions in 2011.

Business cases for durable solutions

147. Business cases for durable solution programmes are presented to donors through donor appeal documents and action plans. These documents typically comprise a narrative describing the situation and a needs assessment, with a description and budget for the proposed solution. The Board found an absence of explicit comparative analyses against "do-minimum" or "no-change" base options. We understand that appraising individual programmes against base options has not been standard practice in UNHCR, despite the importance of base options in assessing the value for money of a fundamental transformation in delivery.

148. The business cases for durable solutions rarely set out the full range of costs and benefits, and a fuller comparative assessment would also need to take into account costs and benefits for other United Nations agencies and other partners. While recognizing that cost is only one factor, the Board examined the relative costs of maintaining refugees in protracted situations and of durable solutions. Although the data were incomplete and the costs per refugee of "steady-state" care and maintenance, as opposed to those of exits achieved through durable solution programmes, varied greatly from situation to situation, we found indications that in some cases, initially more expensive durable solutions could result in savings within several years.

149. The Board recognizes that making a stronger case does not in itself ensure that longer-term funding will be provided to allow for durable solutions. Donors apply a much broader set of criteria, including political and other factors, in deciding where to give their funding support. The Board notes that in most cases, investment in durable solutions has important wider benefits, such as reducing the risk of conflict, which are inherently difficult to quantify. In some cases, such benefits, and the fact that different options have different levels of risk, might outweigh adverse financial considerations. In annex II, the Board provides an indicative framework for the comparative assessment of options in business cases for durable solutions. The Board considers that the explicit consideration of options is valuable, because it promotes the objective justification of decisions.

150. **The Board recommends that UNHCR make it an explicit requirement that a comparative assessment against a "do-minimum" or "no-change" base option be included in each of the action plans it produces for internal and donor consideration on tackling protracted refugee situations. The purpose is to enable UNHCR to measure the value to be gained or currently gained from the proposed solution, and does not imply that UNHCR should consider a "do-minimum" or a "do-nothing" option acceptable.**

151. UNHCR commented that it recognized the need for a comprehensive overview of the full implications of a proposed solutions initiative for all stakeholders, including other United Nations agencies, and that it would consider both the Board's recommendation and the indicative model in developing its future plans and presentations.

Planning and budgeting for durable solutions

152. Achieving durable solutions requires careful planning and financial control to ensure that the costs of the solutions are fully understood from the outset and are minimized over time. The Board notes that the costs of many durable solutions can escalate rapidly over short periods, in some cases as a result of omissions of standard cost elements such as security from initial estimates, or unrealistic assumptions about the reuse of existing assets. Other cost increases are typically associated with changes in host Government requirements or unforeseen costs for partner United Nations entities. While the latter are difficult to forecast accurately, the need for some contingency funding to meet such increases could be budgeted for.

153. UNHCR has produced extensive guidance on the planning of durable solutions for its country teams, primarily concerning programme design. While it can inform programme costing and cost-sharing, and sets out relevant principles, the guidance does not have specific tools to help teams cost and budget robustly. The Board believes that the guidance is due for updating and revision in the light of experience gained by UNHCR over the past six years.

154. **UNHCR agreed with the Board's recommendation that its guidance for country offices on designing durable solutions be supplemented with concise checklists, compiled in the light of project experience, to help country teams better identify and budget for the costs that regularly arise in durable solutions.**

Working more closely with the United Nations Development Programme on durable solutions

155. Although UNHCR has long experience in managing voluntary repatriation and resettlement programmes as part of durable solutions for refugees, it is not as experienced in developing and delivering local integration programmes, which require economic and social development. Integration programmes typically involve multi-year investments in infrastructure, health and education, and in livelihood schemes to improve the employment and income levels of populations. In such programmes, UNHCR needs to work in cooperation with other agencies specializing in such development, often through jointly developed and owned programmes benefiting both refugees and host populations.

156. Previous UNHCR efforts to implement durable solutions have been hindered by an absence of competent partners, inadequate and short-term funding, and difficulties in persuading development agencies, at the corporate and country levels, to accept the fact that refugee populations qualify for development assistance and are not exclusively a UNHCR "problem". However, there are several partner agencies with which UNHCR has worked on protracted situations, including the United Nations Children's Fund, the World Food Programme and, most frequently, the United Nations Development Programme (UNDP), given its extensive experience in conducting multi-year development programmes and its established presence in many protracted situation locations. While the Board notes instances of

joint efforts between UNHCR and UNDP, including joint action plans for protracted situations in the United Republic of Tanzania and Eastern Sudan, and coordinated approaches to donors for support, there is no agreed memorandum of understanding between the agencies setting out the basis on which they would cooperate, nor an agreed mechanism for funding joint work. UNHCR informed the Board that a draft memorandum of understanding was under review and was expected to be completed and signed by the heads of the agencies early in the autumn of 2011.

157. The predominantly annual funding cycle of UNHCR does not provide it with sufficient assurance that durable solutions, which can require several years to implement, will be fully funded over their full duration. UNDP has proposed establishing a joint global multi-donor trust fund that would pool resources without earmarking for specific countries or activities; one advantage of this would be that annual donations could be spent over more than one financial year. The Board understands that UNHCR is considering the UNDP proposal. Should it prove unacceptable, however, UNHCR will need to review how it might otherwise revise its own financial management arrangements to provide greater flexibility in the deployment of annual donor funding to fit the reality of multi-year integration programmes.

158. **The Board recommends that UNHCR work with UNDP to finalize the memorandum of understanding as soon as possible in order to provide country offices with greater certainty regarding how to identify and move forward with joint working opportunities on durable solutions.**

D. Disclosures by management

1. Write-off of losses of cash, receivables and property

159. UNHCR informed the Board that it had formally written off liquid assets of $5.9 million (compared with $1.1 million in 2009). This included unpaid contributions of $5.7 million, value-added tax paid of $105,000 and aged balances with implementing partners of $133,000. As referred to above, the Board's review of receivables identified a further $5.2 million provided for in 2010, which will be formally written off in 2011. The Board also noted that UNHCR had charged $690,000 to foreign exchange adjustments in 2010 as a result of its holdings in a particular currency that was abandoned as an official currency in April 2009.

2. Ex gratia payments

160. UNHCR informed the Board that the High Commissioner had approved two ex gratia payments, totalling $15,249, related to the settlement of a United Nations Dispute Tribunal case and to a previous-year security incident. UNHCR believes that it had a moral obligation to make those payments and that they were in the interest of the organization.

3. Cases of fraud and presumptive fraud

161. UNHCR reported two cases of fraud to the Board in 2010, which resulted in total losses of $35,000 from theft of cash and the illegal sale of vehicles. UNHCR has so far recovered $11,000, and in both cases the Inspector General's

investigations are ongoing.[10] UNHCR had not yet assessed whether those cases indicated weaknesses in any of its controls.

E. Acknowledgement

162. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the High Commissioner, the Deputy and Assistant High Commissioners and the Controller, and members of their staff.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General,
United Kingdom of Great Britain and Northern Ireland
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the United Nations Board of Auditors

12 July 2011

[10] The Inspector General is an employee of UNHCR and has three mandated functions: to assess the quality of UNHCR management, to investigate allegations of misconduct by anyone working for the agency, and to conduct inquiries into violent attacks on UNHCR staff and operations, as well as other types of incidents that could affect the reputation of the organization.

Annex I

Analysis of the status of implementation of the Board's recommendations for the year ended 31 December 2009

	Summary of recommendation	*Paragraph reference*[a]	*Financial period in which first made*	*Fully implemented*	*Partially implemented*	*Not implemented*[b]	*Overtaken by events*
1	Intensify the efforts of the working groups in charge of preparing for the implementation of IPSAS in order to comply with the target of full implementation in 2012	27	2009		X		
2	Ensure that its revised financial rules, compliant with IPSAS, be adopted in conjunction with the entry into force of IPSAS	31	2009		X		
3	Analyse the reasons why certain working groups have made no progress on preparation for the transition to IPSAS and make specific efforts to improve the low rate of progress	33	2009		X		
4	Ensure that the responsible officials comply strictly with the closing instructions of the Organization; and adjust its internal procedures in order to comply with the audit requirements	54	2009			X	
5	Make every effort to expedite the clearing of unliquidated obligations against accounts payable whenever bills and invoices are available to substantiate the receipt of goods and services	57	2009		X		
6	Comply with the provisions concerning the cancellation of unliquidated obligations and reinforce its mechanisms for controlling the validity of obligations	60	2007		X		
7	Set up specific funding for its accrued end-of-service and post-retirement liabilities	73	2007		X		
8	Modify the notes to its financial statements by including disclosure of the change in the main actuarial assumptions used for the valuation of the after-service health insurance after service health insurance liability, along with the reason for and the effect of this change	84	2009			X	
9	Before each structural reform, establish detailed objectives, indicators and expected impact on management	89	2009	X			
10	Prepare comparative statistics and indicators in order to measure the improvement in the quality of the services delivered by outposted units	90	2009		X		
11	Ensure that its practices in employing and assigning National Professional Officers comply with the criteria of the International Civil Service Commission and the resolutions of the General Assembly	96	2009	X			
12	Ensure that bank reconciliations are exhaustive; and resolve unexplained differences between bank confirmation statements and the general ledger	100	2009			X	

Summary of recommendation	*Paragraph reference*[a]	*Financial period in which first made*	*Fully implemented*	*Partially implemented*	*Not implemented*[b]	*Overtaken by events*
13 Continue its efforts to improve the rate of timely justification of advances granted to implementing partners	108	2007		X		
14 Assess the instalments disbursed to implementing partners that have remained unreported for more than a year; and take appropriate measures to have them reported or recovered from the implementing partners	117	2007		X		
15 Continue its efforts to obtain the audit certificates from implementing partners by 30 April of each year	123	2007		X		
16 Continue to make potential adjustments to prior-year expenditure in the financial statements	126	2007		X		
17 Guarantee that all anticipated audit certificates are included in its database	130	2009	X			
18 Update the standard contract with its implementing partners	134	2009		X		
19 Put the monitoring of project implementation progress indicators on a formal footing and keep a record of the checks	139	2009			X	
20 Obtain from its partners their annual inventories; conduct conformity checks between the non-expendable property in its AssetTrak database and the non-expendable property in its partners' inventories during site visits; and conduct checks during the site visits of the inventory of non-expendable property procured with UNHCR funds, as well as of the assets donated by UNHCR	151	2009		X		
21 Record non-expendable property values in a timely and regular manner, as soon as they are recorded in the asset database; take a full physical inventory of its non-expendable property in each field representation so as to match the assets present with the list of assets found in the database; and monitor asset-disposal procedures more rigorously	153	2009		X		
22 Disclose in future financial statements the value of expendable property unused at the end of the year in order to provide a more complete and accurate account of its assets	158	2007			X	
23 Continue its efforts to reduce the number of staff in between assignments and not on temporary duty	173	2007			X	
24 In collaboration with OIOS, take appropriate measures to reduce the number of vacancies for internal auditors	184	2009			X	
Total			**3**	**14**	**7**	**0**
Percentage share of total			**13**	**58**	**29**	**0**

[a] See *Official Records of the General Assembly, Sixty-fifth Session, Supplement No. 5E* (A/65/5/Add.5), chap. II.
[b] See annex II.

Annex II

An indicative model for durable solution business case presentation

Option	*Resource implications for UNHCR*	*Resource implications for United Nations and other partners*	*Costs and benefits for beneficiaries*	*Wider social, economic and political factors*
Base option: typically the "status quo" or "most likely programme" without the proposed change	Continued care and maintenance requirement, including any durable solutions work already programmed	Resource requirements without the change initiative; typically, a reduced requirement for other United Nations entities agencies (such as the World Food Programme)	Status of and risk to beneficiaries without the change initiative proposed	Status and risk without the change initiative proposed
Durable solution proposed	Typically, a reduced resource compared with base over a multi-year assessment period	Typically, an additional resource requirement for development agencies such as UNDP	Assessment of the net additional effects on beneficiary well-being — a mix of qualitative and quantitative assessment	Assessment of factors such as effects on instability or conflict — mostly qualitative description, but with some scope for quantified analysis on, for example, reduced risk of conflict

Source: United Nations Board of Auditors.

Note: Projected costs and benefits could be shown over varying horizons, such as three, five or ten years, and at different levels of success.

Chapter III

Statement of the responsibilities of the High Commissioner and approval of the financial statements

The United Nations High Commissioner for Refugees is ultimately responsible for the content and integrity of the financial statements contained in the accounts of the voluntary funds administered by the United Nations High Commissioner for Refugees that are submitted to the Executive Committee of the High Commissioner's Programme and to the General Assembly of the United Nations.

To fulfil its responsibility, the Office of the United Nations High Commissioner for Refugees operates within prescribed accounting policies and standards and maintains systems of internal accounting controls and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems and financial records are subject to reviews by the Office of Internal Oversight Services and the United Nations Board of Auditors during their respective audits.

In this context, the financial statements contained in chapter V, comprising statements I to III, schedules 1 to 3 and the supporting notes, were prepared in accordance with the Financial Rules for Voluntary Funds Administered by the High Commissioner for Refugees (A/AC.96/503/Rev.9) and the United Nations system accounting standards. In management's opinion, the accompanying financial statements present fairly the financial position of the Office of the High Commissioner as at 31 December 2010, the results of its operations and the cash flows of individual programmes, funds and accounts for the year then ended.

The Accounts are hereby

Approved:
(*Signed*) António **Guterres**
United Nations High Commissioner for Refugees

Certified:
(*Signed*) Karen Madeleine **Farkas**
Controller and Director
Division of Financial and Administrative Management

Geneva
27 June 2011

Chapter IV
Financial highlights for the year ended 31 December 2010

A. Introduction

1. These financial highlights are complementary to the financial statements of the Office of the United Nations High Commissioner for Refugees for the year 2010. They present an overview of the consolidated results and analysis of the financial statements, highlighting significant trends and changes.

2. The financial highlights, the audited financial statements and the report of the Board of Auditors, along with the associated report of the Advisory Committee on Administrative and Budgetary Questions, will be submitted to the General Assembly at its sixty-sixth session.

B. Context

3. This was the first year in which UNHCR implemented programmes under a new budget structure for results-based management, foreseen in the Financial Rules approved by the Executive Committee (A/AC.96/503/Rev.9). With effect from the 2010-2011 biennium, the revised budget structure uses populations of concern as the planning principle. Hence, this is the first year for which financial information is presented under the new budget structure.

4. The introduction of a new budget structure for the results-based management framework, along with the introduction of comprehensive operational budgets and plans, has had a dramatic impact on the way in which the organization manages its budgets and implements its programmes. Many new procedures and processes have been put into place. The financial and management systems have been reconfigured, and balances reported in the 2009 financial accounts have been mapped to the new budget structure for 2010 reporting.

5. Until 2009, programme income and expenditure were classified under the Annual Programme Fund and the Supplementary Programme Fund. From 1 January 2010, with the introduction of the new budget structure and comprehensive budgets, the annual budget comprises the totality of budgetary needs, including supplementary budgets. Supplementary budgets are established for those operations that emerge after the Executive Committee has approved the biennial programme budget, in cases where such operations cannot be funded from the operational reserve.

6. Under the new budget structure, programmes are classified under four pillars: pillar 1, global refugee programme; pillar 2, global stateless programme; pillar 3, global reintegration projects; and pillar 4, global internally displaced persons projects. Unless otherwise stated, the summary financial information for 2010 presented in these highlights relates to the annual budget, comprising the Annual Programme Fund (pillars 1 and 2), the Reintegration Projects Fund (pillar 3), the Internally Displaced Persons Projects Fund (pillar 4), the United Nations Regular Budget Fund and the Junior Professional Officers Fund.

C. Financial highlights

Appropriations, funds available and expenditure

7. The final 2010 appropriations amounted to $3,288.7 million, against funds available of $2,112.5 million and total expenditure of $1,878.2 million. The carry-over of funds available from 2010 amounted to $234.3 million, compared with $202.4 million at the end of 2009, of which $61.8 million was unearmarked and $172.5 million was earmarked.

8. Table IV.1 shows a breakdown of the appropriations, funds available and expenditure by pillar, with the United Nations Regular Budget Fund and the Junior Professional Officers Fund included under pillar 1. Funds available include voluntary contributions directly attributed to the pillar, other income, funds carried over from the prior year, adjustments made to prior-year expenditure and contributions, and transfers between funds.

9. The difference between the final 2010 appropriations and funds available, representing unmet needs of UNHCR populations of concern for 2010, amounted to $1,176.2 million.

Table IV.1
Appropriations, funds available and expenditure
(Millions of United States dollars)

	Pillar 1[a]	*Pillar 2*	*Pillar 3*	*Pillar 4*	***Total***
Final 2010 appropriations	2 332.7	31.4	182.8	741.8	**3 288.7**
Funds available	1 573.4	29.1	90.2	419.8	**2 112.5**
Expenditure	1 353.3	29.1	90.2	405.6	**1 878.2**
Carry-over	220.1	—	—	14.2	**234.3**
Percentage expenditure on appropriations	58	93	49	55	**57**
Percentage expenditure on funds available	86	100	100	97	**89**

[a] Pillar 1 is inclusive of the United Nations Regular Budget Fund, the Junior Professional Officers Fund and the operational and new or additional activities (mandate-related) reserves.

Contributions

10. In 2010, voluntary contributions amounted to $1,903.5 million, representing an increase of $141.8 million, or 8 per cent, compared with 2009 contributions of $1,761.7 million and indicative of significant donor support despite the volatile economic situation prevailing throughout the year.

11. Voluntary contributions of $1,903.5 million represent 58 per cent of the total annual budget, based on comprehensive needs of $3,288.7 million. Table IV.2 shows voluntary contributions compared with final 2010 appropriations and funds available. Earmarked contributions are recorded under the applicable fund/pillar upon receipt. Contributions that are loosely earmarked or unearmarked are initially recorded under pillar 1 and are subsequently transferred to other pillars as needed to cover budgetary requirements. During the year, $184.2 million of such contributions were transferred from the Annual Programme Fund to the other funds; $45.2 million was transferred to pillar 3 (Reintegration Projects Fund) and $139.0 million to pillar 4

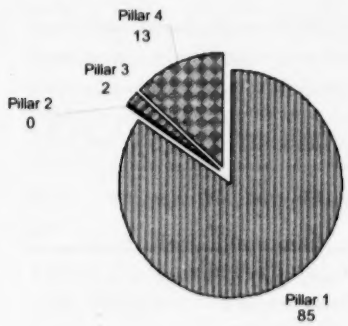
(Internally Displaced Persons Projects Fund). Figure IV.1 presents a comparison of the percentage of voluntary contributions and funds available by pillar.

Table IV.2
Appropriations, voluntary contributions and funds available
(Millions of United States dollars)

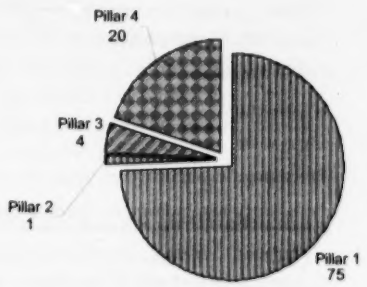
	Pillar 1	*Pillar 2*	*Pillar 3*	*Pillar 4*	***Total***
Final 2010 appropriations	2 332.7	31.4	182.8	741.8	**3 288.7**
Voluntary contributions	1 610.9	7.8	34.8	250.0	**1 903.5**
Carry-over from 2009	146.4	—	11.9	44.1	**202.4**
Other income and adjustments	20.4	—	0.5	3.6	**24.5**
Transfers to cover administrative costs	19.4	(0.3)	(2.2)	(16.9)	—
Transfers to cover budgets of other pillars	(205.8)	21.6	45.2	139.0	—
Transfers to other funds	(17.9)	—	—	—	**(17.9)**
Funds available	1 573.4	29.1	90.2	419.8	**2 112.5**

Figure IV.1
Comparison of voluntary contributions and funds available by pillar

Percentage of voluntary contributions by pillar



Percentage of funds available by pillar



Note: Pillar 1 is inclusive of the United Nations Regular Budget Fund, the Junior Professional Officers Fund and the operational and new or additional activities (mandate-related) reserves.

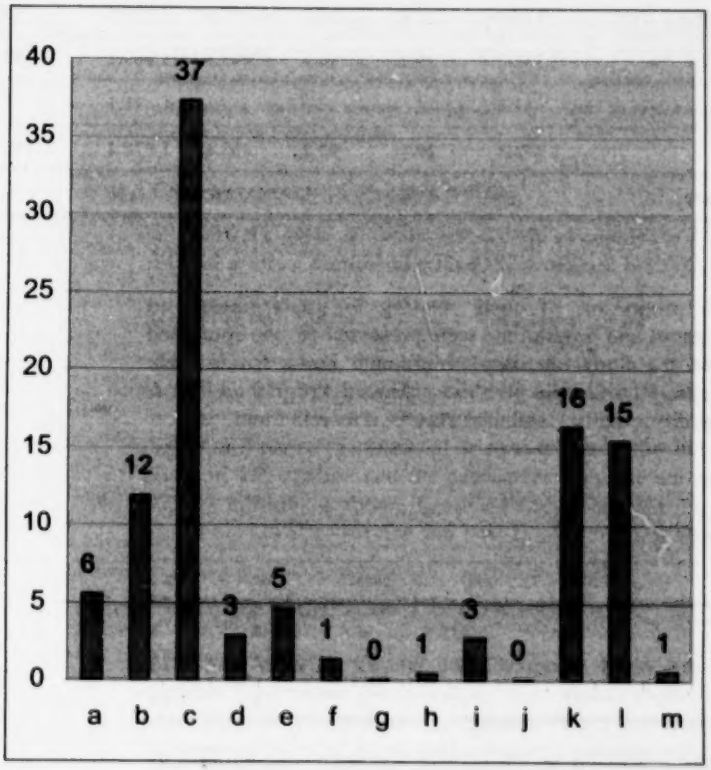
Expenditure

12. Expenditure for 2010 amounted to $1,878.2 million, compared with $1,754.5 million in 2009, an increase of $123.7 million, or 7 per cent. Figure IV.2 shows the percentage distribution of 2010 expenditure by goal, and table IV.3 shows the distribution of expenditure across the pillars for each goal.

13. The global refugee programme (pillar 1) predominated, at 72 per cent of expenditure. The largest share of expenditure was under the goal of refugee protection and mixed solutions, at 37 per cent of the total. UNHCR global management represented 16 per cent of expenditure by goal, mostly under pillar 1. This category includes global programmes (both operational activities and programme support), headquarters and regional offices, and regional support

structures as detailed in the 2010-2011 Global Appeal. Also included are global stockpiles. Protection pending solutions represented 12 per cent of overall expenditure, while expenditure under emergency response stood at 6 per cent and included the activities for flood-affected areas in Pakistan and the emergency response to the Kyrgyzstan situation.

Figure IV.2
Percentage distribution of 2010 expenditure by goal



Legend

a	Emergency response
b	Protection pending solutions
c	Protection and mixed solutions
d	Voluntary return
e	Reintegration
f	Local integration
g	Resettlement
h	Capacity-building
i	Advocacy for protection and solutions
j	Resource mobilization
k	UNHCR global management
l	Implementing partner balance to report
m	Junior Professional Officers

Table IV.3
Distribution of expenditure by pillar and goal
(Millions of United States dollars)

Goal	*Pillar 1*	*Pillar 2*	*Pillar 3*	*Pillar 4*	*Total*	*Percentage*
Emergency response	28.2	0.1	—	75.3	103.6	6
Protection pending solutions	160.2	7.0	—	57.1	224.3	12
Protection and mixed solutions	520.6	6.5	5.7	169.1	701.9	37
Voluntary return	52.1	—	3.7	—	55.8	3
Reintegration	20.2	—	62.6	6.1	88.9	5
Local integration	22.7	0.4	2.7	—	25.8	1
Resettlement	3.5	—	—	—	3.5	—

Goal	*Pillar 1*	*Pillar 2*	*Pillar 3*	*Pillar 4*	*Total*	*Percentage*
Capacity-building	8.6	0.7	0.7	0.1	10.1	1
Advocacy for protection and solutions	41.1	11.1	—	0.6	52.8	3
Resource mobilization	3.4	—	—	—	3.4	—
UNHCR global management	306.2	0.3	—	—	306.5	16
Subtotal	**1 166.8**	**26.1**	**75.4**	**308.3**	**1 576.6**	**84**
Implementing partner balance to report	175.4	3.0	14.8	97.3	290.5	15
Subtotal	**1 342.2**	**29.1**	**90.2**	**405.6**	**1 867.1**	**99**
Junior Professional Officers	11.1	—	—	—	11.1	1
Total	**1 353.3**	**29.1**	**90.2**	**405.6**	**1 878.2**	**100**
Percentage of total expenditure	**72**	**1**	**5**	**22**	**100**	

Cost trends

14. In previous years, the proportion of costs relating to management and administration, programme support and programme were presented for the combined Annual Programme Fund and the Supplementary Programme Fund. Comparable trend results are shown in table IV.4 for the combined Annual Programme Fund, Reintegration Projects Fund and Internally Displaced Persons Projects Fund.

Table IV.4
Trends in costs
(Percentage)

	2006	*2007*	*2008*	*2009*	*2010*
Management and administration	5	4	4	4	3
Programme support	24	22	21	18	15
Programme	71	74	75	78	82

15. Programme support costs decreased to 15 per cent in 2010, compared with 18 per cent in 2009, and programme costs increased to 82 per cent in 2010, compared with 78 per cent in 2009. The reduction in the percentages of management and administration and programme support costs and the corresponding increase of approximately 4 per cent in programme costs were due primarily to substantially higher operational implementation and related costs.

Instalments to implementing partners

16. In 2010, UNHCR disbursed and committed a total of $676.9 million through instalments to implementing partners, representing 36 per cent of annual budget expenditure. This compares with $598.8 million, or 34 per cent, in 2009. Table IV.3 shows the balance of instalments paid that have not yet been reported, of $290.5 million; upon the receipt of reports from implementing partners, expenditure will be charged to the appropriate goal.

Unliquidated obligations

17. The amount of unliquidated obligations increased by $26.6 million in 2010; the percentage of unliquidated obligations compared with expenditure in the funds increased by approximately 1 per cent. At the end of 2010, unliquidated obligations amounted to $172.2 million, or 9.2 per cent of total annual budget expenditure, compared with $145.6 million, or 8.3 per cent, in 2009.

Cancellation of prior-year obligations

18. In 2010, the cancellation of prior-year obligations amounted to $14.3 million, representing 9.9 per cent of unliquidated obligations at the end of 2009. The comparable figure for 2009 was $12.1 million, or 10.0 per cent. Management continues to pay close attention to the verification of amounts recorded as unliquidated obligations.

Cash balances — voluntary funds

19. At the end of 2010, total cash available to the organization amounted to $437.0 million, compared with $382.6 million in 2009, an increase of $54.4 million.

Reserves and fund balances — voluntary funds

20. The reserves and fund balances for the organization at year-end were in net deficit by $72.3 million. The net deficit occurred owing to a deficit of $393.4 million in the Staff Benefits Fund that was only partially offset by the surplus of $36.9 million in the Medical Insurance Plan, the balance in the Working Capital Fund of $50 million and the carry-over from the annual budget funds amounting to $234.3 million, as shown in table IV.1. Efforts are ongoing to establish funding for the unfunded after-service and post-retirement staff benefits.

D. Working Capital and Guarantee Fund

21. The Working Capital and Guarantee Fund was established to replenish the Annual Programme Fund and to meet essential payments pending the receipt of contributions pledged or anticipated. The Fund derives its income mainly from interest on invested funds and currency-exchange adjustments. It has an established ceiling of $50 million. In 2010, operational requirements were met without drawing from the Working Capital and Guarantee Fund.

Interest income

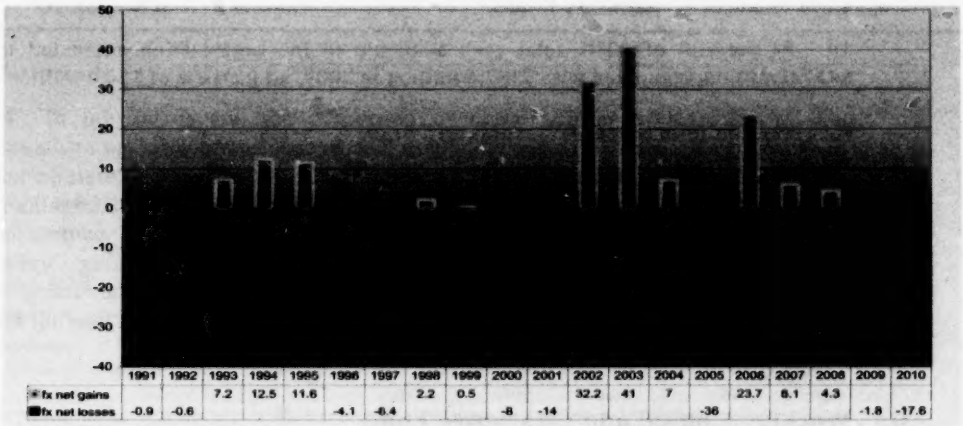
22. The organization earns interest income primarily from term deposit balances that it maintains throughout the year. In 2010, interest income was $1.1 million, of which $0.9 million was reported in the Working Capital Fund and $0.2 million in the Medical Insurance Plan. Compared with the $2.3 million recorded in 2009, this represents a decrease of $1.2 million, which is due to the impact of central banks worldwide maintaining historic low interest rates during the financial crisis. However, UNHCR achieved interest income results that are above its benchmark (the three-month average United States Treasury Bill rate) as a result of effective liquidity and investment management.

Currency-exchange adjustments

23. In 2010, financial markets around the world continued to experience high volatility, and Governments and central banks intervened in the financial markets in unprecedented ways. UNHCR risk management measures were successfully applied to ensure that realized foreign exchange losses were minimized and that cash holdings and investments were safeguarded. Management will continue to closely monitor, and mitigate to the extent possible, the risk of negative exchange impacts that unexpected exchange-rate fluctuations may have on operations.

24. Figure IV.3 provides a picture of the overall trends in currency-exchange gains and losses for UNHCR.

Figure IV.3
Trends in currency-exchange gains and losses, 1991-2010
(Millions of United States dollars)



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
fx net gains			7.2	12.5	11.6			2.2	0.5			32.2	41	7		23.7	8.1	4.3		
fx net losses	-0.9	-0.6				-4.1	-8.4			-8	-14				-36				-1.8	-17.6

25. In 2010, currency-exchange adjustments resulted in a net loss of $17.1 million, compared with a net loss of $1.8 million in 2009. The net loss in 2010 consisted of net realized losses of $2.8 million and net unrealized losses of $14.3 million.

26. The total net realized losses of $2.8 million comprised net realized losses of $16.4 million from contributions, net realized gains of $10.6 million from treasury foreign exchange operations that were settled during the year, and net realized gains of $3.0 million derived from accounts payable and other sources.

27. The total net unrealized losses of $14.3 million are attributable mainly to the results of year-end revaluations of open commitments, accounts receivable, accounts payable and cash balances. The United Nations exchange rates in effect at the end of 2009 and 2010, with percentage change, are presented in table IV.5.

Table IV.5
Changes in exchange rates of major currencies against the United States dollar

	Currency units per United States dollar		*2010 versus 2009*
Currency	*United Nations closing rate, 31 December 2010*	*United Nations closing rate, 31 December 2009*	*Percentage change in United States dollar value*
Australian dollar	0.986	1.112	-11.3
Canadian dollar	1.000	1.038	-3.7
Danish krone	5.675	5.150	+10.2
Japanese yen	82.000	91.700	-10.6
Norwegian kroner	5.956	5.770	+3.2
Swedish krona	6.852	7.170	-4.4
Swiss franc	0.951	1.030	-7.7
United Kingdom pound	0.648	0.625	+3.7
Euro	0.761	0.693	+9.8

28. In 2010, approximately 53 per cent of the organization's voluntary contributions were denominated in United States dollars, 21 per cent in euros, 6 per cent in Swedish kronor, 4 per cent in Norwegian kroner, 4 per cent in Japanese yen, 3 per cent in Danish kroner, 3 per cent in pounds sterling, 2 per cent in Canadian dollars, 2 per cent in Australian dollars and 1 per cent in Swiss francs, with the remainder in various other currencies.

E. Other matters

Central Emergency Response Fund

29. During 2010, UNHCR did not borrow from the Central Emergency Response Fund, which was created by the General Assembly in 1992 for use by operational organizations in the early stages of emergencies. However, in 2010 UNHCR received contributions, in the form of Central Emergency Response Fund grants, amounting to $25.5 million for pillars 1 and 2, and $22.6 million for pillar 4.

Study of implementing partner performance management

30. In February 2010, UNHCR launched a project aimed at improving implementing partner management and oversight. The Division of Financial and Administrative Management assigned a senior staff member to undertake a review of the policies and related processes for implementing partner performance management, including audit certification, in collaboration with other relevant divisions and units of UNHCR.

31. A comprehensive review and benchmarking of policies, processes and practices related to implementing partner performance management and oversight activities across nine United Nations agencies was undertaken during 2010. This first phase was aimed at identifying gaps and best practices with a view to proposing an improved policy.

32. The report produced at the end of phase 1 identified issues with current processes and gaps compared with leading practices and included a comparative analysis of the implementing partner management approach of several other United Nations agencies. In addition, several recommendations were made to address identified gaps in current UNHCR implementing partner management performance that had been noted as a result of the benchmarking exercise. The results of phase 1 led to the recognition that effective and efficient implementing partner management and oversight encompassed a variety of elements that extended beyond the audit of implementing partner accounts.

33. On the basis of the outcome of the review and in-house deliberations, phase 2 of the project was launched to enhance implementing partner performance through the adoption of a new model. The model, a risk-based management approach to implementing partner resource management, seeks to enhance performance and accountability. The decision to adopt such an approach requires the definition of the implementation method and the identification of implications. For this phase, an external perspective, with expertise in the development and implementation of risk-based management models, was required. Ernst and Young, a consulting firm, was engaged to assist in the further elaboration of the concept and the assessment of its implications in terms of organizational structure and resources. The study was completed early in 2011, and the outcome will inform senior management strategic decisions and directions.

Implementation of the International Public Sector Accounting Standards

34. In June 2010, UNHCR informed the Standing Committee of its decision to defer the implementation of IPSAS until 2012, in line with a number of other specialized agencies and United Nations organizations (see EC/61/SC/CRP.18).

35. Continued improvements in the management of the project were made in 2010, and UNHCR management continues to closely monitor implementation progress to ensure that the 2012 financial statements are IPSAS-compliant.

Chapter V

Financial statements for the year ended 31 December 2010

Statement of income and expenditure and changes in reserves and fund balances for the year ended 31 December 2010

(Thousands of United States dollars)

Statement I

	Schedule or note reference	*Working Capital and Guarantee Fund*	*Annual Programme Fund*	*Reintegration Projects Fund*	*Internally Displaced Persons Projects Fund*	*United Nations Regular Budget Fund*	*Junior Professional Officers Fund*	*Staff Benefits Fund*	*Medical Insurance Plan*	*Total*	
										2010	*2009*
Income											
Voluntary contributions	Note 2 (d), Sch 1		1 562 379	34 769	250 005	39 641	16 679			1 903 473	1 761 659
Other/miscellaneous income											
Interest income	Note 2 (e), Note 9 (a)	910							177	1 088	2 295
Currency-exchange adjustments	Note 2 (f)	(17 052)								(17 052)	(1 779)
Other/miscellaneous income	Note 2 (g)	34	6 230	8	4			91 196	6 681	104 153	40 341
Total income		**(16 108)**	**1 568 609**	**34 777**	**250 009**	**39 641**	**16 679**	**91 196**	**6 858**	**1 991 662**	**1 802 516**
Expenditure											
Expenditure	Note 2 (h), Note 6, Sch 2[a]	1 958	1 331 669	90 164	405 588	39 641	11 111	37 927	4 437	1 922 494	1 795 677
Total expenditure		**1 958**	**1 331 669**	**90 164**	**405 588**	**39 641**	**11 111**	**37 927**	**4 437**	**1 922 494**	**1 795 677**
Excess (shortfall) of income over expenditure		**(18 065)**	**236 939**	**(55 387)**	**(155 579)**		**5 568**	**53 269**	**2 422**	**69 168**	**6 839**
Adjustments to prior-year contributions	Note 2 (i)		(4 339)				(46)			(4 385)	(263)
Adjustments to prior-year expenditure	Note 2 (j)		6 556	355	1 353		8	52	7	8 332	18 386
Net excess (shortfall) of income over expenditure		**(18 065)**	**239 156**	**(55 031)**	**(154 226)**		**5 529**	**53 322**	**2 429**	**73 114**	**24 962**
Cancellation of prior-year obligations	Note 2 (k), Sch 3[b]		11 968	116	2 264		1	272		14 621	13 223
Transfer to/from other funds	Note 5 (a)	18 066	(181 711)	43 045	122 081		(1 333)	(148)		1	

	Schedule or note reference	Working Capital and Guarantee Fund	Annual Programme Fund	Reintegration Projects Fund	Internally Displaced Persons Projects Fund	United Nations Regular Budget Fund	Junior Professional Officers Fund	Staff Benefits Fund	Medical Insurance Plan	Total 2010	Total 2009
Adjustments for prior-period end-of-service liabilities											(72 204)
Adjustment for first-time recognition of land and buildings											4 142
Reserves and fund balances, beginning of year	**Note 3**	**50 000**	**139 547**	**11 871**	**44 131**		**6 896**	**(446 865)**	**34 433**	**(159 987)**	**(130 110)**
Reserves and fund balances, end of year	**Sch 2[a]**	**50 001**	**208 961**	**1**	**14 251**		**11 093**	**(393 419)**	**36 862**	**(72 250)**	**(159 987)**

[a] Schedule 2 does not include Working Capital and Guarantee, Junior Professional Officers, Staff Benefits or Medical Insurance Plan Funds.
[b] Schedule 3 does not include Staff Benefits Fund.

Statement of assets, liabilities, reserves and fund balances as at 31 December 2010

(Thousands of United States Dollars)

Statement II

	Schedule or note reference	*Working Capital and Guarantee Fund*	*Annual Programme Fund*	*Reintegration Projects Fund*	*Internally Displaced Persons Projects Fund*	*United Nations Regular Budget Fund*	*Junior Professional Officers Fund*	*Staff Benefits Fund*	*Medical Insurance Plan*	*Total*	
										2010	*2009*
Assets											
Cash and term deposits	Note 9	49 978	266 830	11 372	62 143		9 620	278	36 861	437 082	382 615
Accounts receivable											
Voluntary contributions receivable	Note 10		69 962	2 192	25 079		1 487			98 720	88 455
Due from United Nations agencies	Note 12		1 142							1 142	3 083
Due from implementing partners, net			2 033		16					2 049	2 725
Other receivables	Note 13		21 205		50					21 255	25 654
Other assets	Note 15	22	1 782							1 804	2 229
Land and buildings	Note 16		4 142							4 142	4 142
Total assets		**50 000**	**367 096**	**13 564**	**87 288**		**11 107**	**278**	**36 861**	**566 194**	**508 903**
Liabilities											
Contributions received in advance			41 472							41 472	32 552
Unliquidated obligations	Note 2 (o), Note 3 Sch 2[a]		85 639	13 564	73 038		13			172 254	145 640
Accounts payable	Note 18		31 024							31 024	42 314
End-of-service and post-retirement liability	Note 2 (r), Note 19							393 698		393 698	448 384
Total liabilities			**158 135**	**13 564**	**73 038**		**13**	**393 698**		**638 448**	**668 890**
Reserves and fund balances	**Sch 2[a]**	**50 000**	**208 961**		**14 250**		**11 094**	**(393 420)**	**36 861**	**(72 254)**	**(159 987)**
Total liabilities											
Reserves and fund balances		**50 000**	**367 096**	**13 564**	**87 288**		**11 107**	**278**	**36 861**	**566 194**	**508 903**

[a] Schedule 2 does not include Working Capital and Guarantee, Junior Professional Officers, Staff Benefits or Medical Insurance Plan Funds.

Statement of cash flows for the year ended 31 December 2010

(Thousands of United States Dollars)

Statement III

	Working Capital and Guarantee Fund	*Annual Programme Fund*	*Reintegration Projects Fund*	*Internally Displaced Persons Projects Fund*	*United Nations Regular Budget Fund*	*Junior Professional Officers Fund*	*Staff Benefits Fund*	*Medical Insurance Plan*	*Total*	
									2010	*2009*
Cash flows from operating activities										
Net excess (shortfall) of income over expenditure (statement I)	(18 066)	239 157	(55 032)	(154 226)		5 530	53 321	2 428	73 112	24 962
(Increase) decrease in contributions receivable		18 404	(2 192)	(25 079)		(1 398)			(10 265)	(6 870)
(Increase) decrease in other accounts receivable		7 082		(66)					7 016	514
(Increase) decrease in other assets	4	421							425	403
(Increase) decrease in land and buildings										(4 142)
Increase (decrease) in contributions received in advance		8 920							8 920	(16 333)
Increase (decrease) in unliquidated obligations		(25 860)	10 891	41 578		5			26 614	25 158
Increase (decrease) in accounts payable		(11 290)							(11 290)	71 635
Increase (decrease) in end-of-service and post-retirement liability							(54 686)		(54 686)	
Less: interest income	(910)							(177)	(1 087)	(2 295)
Currency-exchange adjustments[a]	2 748								2 748	1 779
Net cash from operating activities	**(16 224)**	**236 834**	**(46 333)**	**(137 793)**		**4 137**	**(1 365)**	**2 251**	**41 507**	**94 811**
Cash flows from investing and financing activities										
Interest income	910							177	1 087	2 295
Currency-exchange adjustments[a]	(2 748)								(2 748)	(1 779)
Net cash from investing and financing	**(1 838)**							**177**	**(1 661)**	**516**

	Working Capital and Guarantee Fund	*Annual Programme Fund*	*Reintegration Projects Fund*	*Internally Displaced Persons Projects Fund*	*United Nations Regular Budget Fund*	*Junior Professional Officers Fund*	*Staff Benefits Fund*	*Medical Insurance Plan*	*Total*	
									2010	*2009*
Cash flows from other sources[b]										
Cancellation of prior-year obligations		11 968	116	2 264		1	272		14 621	13 223
Transfer (to) from other funds	18 066	(181 711)	43 045	122 081		(1 333)	(148)			
Adjustments for prior-period end-of-service liabilities										(72 204)
Adjustment for first-time recognition of land and building										4 142
Net cash from other sources	**18 066**	**(169 743)**	**43 161**	**124 345**		**(1 332)**	**124**		**14 621**	**(54 839)**
Net increase (decrease) in cash and term deposits	4	67 091	(3 172)	(13 448)		2 805	(1 241)	2 428	54 467	40 488
Cash and term deposits at beginning of year	**49 974**	**199 739**	**14 544**	**75 591**		**6 815**	**1 519**	**34 433**	**382 615**	**342 127**
Cash and term deposits at end of year	**49 978**	**266 830**	**11 372**	**62 143**		**9 620**	**278**	**36 861**	**437 082**	**382 615**

[a] Represents realized currency-exchange adjustments, whereas currency-exchange adjustments in statement I (17,052) comprise both realized (2,748) and unrealized (14,304) currency-exchange adjustments.

[b] The statement of cash flows is presented in accordance with the United Nations system accounting standards. Cash flows from other sources contain non-cash items that are required to reconcile the net excess (shortfall) of income over expenditure to arrive at cash and term deposits balances at the end of the year.

Contributions by donor by fund for the year ended 31 December 2010

(Thousands of United States dollars)

Schedule 1

	Annual Programme Fund			*Reintegration Projects Fund*			*Internally Displaced Persons Projects Fund*			*United Nations Regular Budget Fund*	*Junior Professional Officers Fund*	*Total*		
	Cash	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*Cash*	*Cash*	*In-kind*	*Total*
Voluntary contributions														
Governmental donors														
Algeria	100	-	100	-	-	-	-	-	-	-	-	100	-	100
Andorra	66	-	66	-	-	-	9	-	9	-	-	75	-	75
Argentina	39	-	39	-	-	-	-	-	-	-	-	39	-	39
Australia	37 435	-	37 435	270	-	270	7 330	-	7 330	-	69	45 104	-	45 104
Austria	3 272	-	3 272	-	-	-	-	-	-	-	-	3 272	-	3 272
Azerbaijan	20	-	20	-	-	-	-	-	-	-	-	20	-	20
Bahrain	10	-	10	-	-	-	-	-	-	-	-	10	-	10
Belgium	17 831	-	17 831	1 233	-	1 233	2 898	-	2 898	-	-	21 962	-	21 962
Brazil	1 600	-	1 600	-	-	-	1 900	-	1 900	-	-	3 500	-	3 500
Canada	42 499	-	42 499	-	-	-	3 491	-	3 491	-	530	46 520	-	46 520
Chile	100	-	100	-	-	-	-	-	-	-	-	100	-	100
China	250	-	250	-	-	-	-	-	-	-	-	250	-	250
Colombia	25	-	25	-	-	-	-	-	-	-	-	25	-	25
Costa Rica	18	-	18	-	-	-	-	-	-	-	-	18	-	18
Cyprus	82	-	82	-	-	-	-	-	-	-	-	82	-	82
Czech Republic	165	-	165	-	-	-	-	-	-	-	-	165	-	165
Denmark	46 667	-	46 667	5 721	-	5 721	3 467	-	3 467	-	913	56 768	-	56 768
Egypt	25	-	25	-	-	-	-	-	-	-	-	25	-	25
Estonia	155	-	155	-	-	-	-	-	-	-	-	155	-	155
Finland	26 697	-	26 697	-	-	-	289	-	289	-	561	27 547	-	27 547
France	16 667	-	16 667	540	-	540	2 362	-	2 362	-	487	20 056	-	20 056
Germany	35 916	5 143	41 059	1 271	135	1 406	5 971	244	6 215	-	1 061	44 219	5 522	49 741
Greece	551	-	551	-	-	-	-	-	-	-	-	551	-	551
Hungary	174	1 663	1 837	-	-	-	-	-	-	-	-	174	-	1 837
Iceland	100	-	100	-	-	-	-	-	-	-	-	100	-	100
Ireland	7 738	-	7 738	-	-	-	-	-	-	-	-	7 738	-	7 738
Israel	60	-	60	-	-	-	-	-	-	-	-	60	-	60
Italy	9 078	-	9 078	-	-	-	1 666	-	1 666	-	733	11 477	-	11 477
Japan	115 530	-	115 530	11 818	-	11 818	15 215	-	15 215	-	931	143 494	-	143 494
Kuwait	1 052	-	1 052	-	-	-	-	-	-	-	-	1 052	-	1 052
Liechtenstein	291	-	291	-	-	-	-	-	-	-	141	432	-	432
Luxembourg	10 462	-	10 462	-	-	-	448	-	448	-	226	11 136	-	11 136
Malta	20	-	20	-	-	-	-	-	-	-	-	20	-	20
Mexico	75	-	75	-	-	-	-	-	-	-	-	75	-	75
Monaco	195	-	195	-	-	-	-	-	-	-	-	195	-	195

	Annual Programme Fund			*Reintegration Projects Fund*			*Internally Displaced Persons Projects Fund*			*United Nations Regular Budget Fund*	*Junior Professional Officers Fund*	*Total*		
	Cash	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*Cash*	*Cash*	*In-kind*	*Total*
Montenegro	6	-	6	-	-	-	-	-	-	-	-	6	-	6
Morocco	1 000	-	1 000	-	-	-	-	-	-	-	-	1 000	-	1 000
Netherlands	69 457	-	69 457	-	-	-	1 778	-	1 778	-	2 844	74 079	-	74 079
New Zealand	4 428	-	4 428	-	-	-	-	-	-	-	-	4 428	-	4 428
Norway	69 091	127	69 218	468	-	468	10 603	-	10 603	-	686	80 848	127	80 975
Oman	100	-	100	-	-	-	-	-	-	-	-	100	-	100
Portugal	1 639	-	1 639	-	-	-	-	-	-	-	-	1 639	-	1 639
Qatar	50	-	50	-	-	-	-	-	-	-	-	50	-	50
Republic of Korea	3 000	-	3 000	-	-	-	-	-	-	-	-	3 000	-	3 000
Russian Federation	1 800	-	1 800	-	-	-	200	-	200	-	-	2 000	-	2 000
Saudi Arabia	1 450	-	1 450	-	-	-	18 786	-	18 786	-	-	20 236	-	20 236
Singapore	10	-	10	-	-	-	-	-	-	-	-	10	-	10
Slovakia	14	-	14	-	-	-	-	-	-	-	-	14	-	14
Slovenia	121	-	121	-	-	-	-	-	-	-	-	121	-	121
South Africa	179	-	179	-	-	-	-	-	-	-	-	179	-	179
Spain	25 109	-	25 109	2 074	-	2 074	8 967	-	8 967	-	3 020	39 170	-	39 170
Sweden	104 716	-	104 716	-	-	-	6 420	-	6 420	-	800	111 936	-	111 936
Switzerland	19 543	1 191	20 734	-	-	-	4 460	-	4 460	-	327	24 330	1 191	25 521
Thailand	20	-	20	-	-	-	-	-	-	-	-	20	-	20
Turkey	200	-	200	-	-	-	-	-	-	-	-	200	-	200
United Arab Emirates	346	-	346	-	-	-	3 919	-	3 919	-	-	4 265	-	4 265
United Kingdom	47 278	-	47 278	-	-	-	9 724	-	9 724	-	-	57 002	-	57 002
United States	645 610	-	645 610	-	-	-	63 152	105	63 257	-	3 350	712 112	105	712 217
Uruguay	5	-	5	-	-	-	-	-	-	-	-	5	-	5
Governmental donors	**1 370 137**	**8 124**	**1 378 261**	**23 395**	**135**	**23 530**	**173 055**	**349**	**173 404**	**-**	**16 679**	**1 583 266**	**8 608**	**1 591 874**
European Commission	**65 343**	**-**	**65 343**	**9 670**	**-**	**9 670**	**43 203**	**-**	**43 203**	**-**	**-**	**118 216**	**-**	**118 216**
Intergovernmental donors														
International Organization for Migration	194	-	194	-	-	-	-	-	-	-	-	194	-	194
African Union	550	-	550	-	-	-	100	-	100	-	-	650	-	650
Arab Gulf Programme for United Nations Development Organization	50	-	50	-	-	-	-	-	-	-	-	50	-	50
Intergovernmental Authority on Development	659	-	659	-	-	-	-	-	-	-	-	659	-	659

	Annual Programme Fund			Reintegration Projects Fund			Internally Displaced Persons Projects Fund			United Nations Regular Budget Fund	Junior Professional Officers Fund	Total		
	Cash	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*Cash*	*Cash*	*In-kind*	*Total*
Great Lakes Initiative on HIV/AIDS	483	-	483	-	-	-	-	-	-	-	-	483	-	483
Council of Europe/ Development Bank	-	-	-	-	-	-	30	-	30	-	-	30	-	30
OPEC Fund for International Development	1 000	-	1 000	-	-	-	-	-	-	-	-	1 000	-	1 000
Economic Community of West African States	4 105	-	4 105	-	-	-	-	-	-	-	-	4 105	-	4 105
Intergovernmental donors	**7 041**	**-**	**7 041**	**-**	**-**	**-**	**130**	**-**	**130**	**-**	**-**	**7 171**	**-**	**7 171**
United Nations-pooled funding mechanism														
Stabilization and Recovery Funding Facility	-	-	-	-	-	-	760	-	760	-	-	760	-	760
United Nations Central Fund for Influenza Action	-	-	-	-	-	-	-	-	-	39 641	-	39 641	-	39 641
United Nations Population Fund	1 235	-	1 235	-	-	-	-	-	-	-	-	1 235	-	1 235
Pooled Fund for the Democratic Republic of the Congo	221	-	221	-	-	-	-	-	-	-	-	221	-	221
Common Humanitarian Fund for Sudan	918	-	918	-	-	-	911	-	911	-	-	1 829	-	1 829
Common Humanitarian Fund for the Central African Republic	6 598	-	6 598	500	-	500	3 081	-	3 081	-	-	10 179	-	10 179
Central Emergency Response Fund	-	-	-	-	-	-	250	-	250	-	-	250	-	250
Joint United Nations Programme on HIV/AIDS	25 480	-	25 480	-	-	-	22 626	-	22 626	-	-	48 106	-	48 106
United Nations Development Group Iraq Trust Fund	4 250	-	4 250	-	-	-	-	-	-	-	-	4 250	-	4 250
United Nations Development Programme	171	-	171	541	-	541	112	-	112	-	-	824	-	824
	1 969	-	1 969	-	-	-	-	-	-	-	-	1 969	-	1 969

	Annual Programme Fund			*Reintegration Projects Fund*			*Internally Displaced Persons Projects Fund*			*United Nations Regular Budget Fund*	*Junior Professional Officers Fund*	*Total*		
	Cash	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*Cash*	*Cash*	*In-kind*	*Total*
United Nations Trust Fund for Human Security	1 184	-	1 184	74	-	74	694	-	694	-	-	1 952	-	1 952
Peacebuilding Fund	1 597	-	1 597	-	-	-	273	-	273	-	-	1 870	-	1 870
One United Nations Initiative	2 170	-	2 170	-	-	-	-	-	-	-	-	2 170	-	2 170
Millennium Development Goals	228	-	228	243	-	243	1 192	-	1 192	-	-	1 663	-	1 663
World Food Programme	-	-	-	105	-	105	35	-	35	-	-	140	-	140
United Nations High Commissioner for Human Rights	-	-	-	-	-	-	400	-	400	-	-	400	-	400
United Nations-pooled funding mechanism	**46 021**	**-**	**46 021**	**1 463**	**-**	**1 463**	**30 334**	**-**	**30 334**	**39 641**	**-**	**117 459**	**-**	**117 459**
Private donors														
Argentina	1	-	1	-	-	-	-	-	-	-	-	1	-	1
Angola	307	-	307	-	-	-	-	-	-	-	-	307	-	307
Azerbaijan	-	-	-	-	-	-	50	-	50	-	-	50	-	50
Austria	1	-	1	-	-	-	-	-	-	-	-	1	-	1
Australia	7 228	-	7 228	-	-	-	210	-	210	-	-	7 438	-	7 438
Belgium	7	-	7	-	-	-	-	-	-	-	-	7	-	7
Brazil	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada	1 817	-	1 817	-	-	-	6	-	6	-	-	1 823	-	1 823
China	2 360	-	2 360	-	-	-	315	-	315	-	-	2 675	-	2 675
Colombia	3	-	3	-	-	-	10	-	10	-	-	13	-	13
Congo	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cyprus	1	-	1	-	-	-	-	-	-	-	-	1	-	1
Czech Republic	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Denmark	-	477	477	-	-	-	-	-	-	-	-	-	477	477
Finland	-	-	-	-	-	-	-	-	-	-	-	-	-	-
France	2	184	186	-	-	-	-	-	-	-	-	2	184	186
Germany	2 807	-	2 807	-	-	-	410	-	410	-	-	3 217	-	3 217
Greece	300	-	300	-	-	-	-	-	-	-	-	300	-	300
Italy	8 548	-	8 548	-	-	-	247	-	247	-	-	8 795	-	8 795
Japan	7 850	558	8 408	-	-	-	215	-	215	-	-	8 065	558	8 623
Jordan	2	-	2	-	-	-	-	-	-	-	-	2	-	2
Korea	518	-	518	-	-	-	11	-	11	-	-	529	-	529
Sri Lanka	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Lebanon	7	-	7	-	-	-	-	-	-	-	-	7	-	7
Luxembourg	50	-	50	-	-	-	-	-	-	-	-	50	-	50

	Annual Programme Fund			*Reintegration Projects Fund*			*Internally Displaced Persons Projects Fund*			*United Nations Regular Budget Fund*	*Junior Professional Officers Fund*	*Total*		
	Cash	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*In-kind*	*Total*	*Cash*	*Cash*	*Cash*	*In-kind*	*Total*
Malaysia	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Monaco	58	-	58	-	-	-	-	-	-	-	-	58	-	58
Netherlands	2 539	1 701	4 240	106	-	106	169	-	169	-	-	2 814	1 701	4 515
Nepal	1	-	1	-	-	-	-	-	-	-	-	1	-	1
Pakistan	15	-	15	-	-	-	-	-	-	-	-	15	-	15
Portugal	364	1 099	1 463	-	-	-	-	-	-	-	-	364	1 099	1 463
Saudi Arabia	1	-	1	-	-	-	-	-	-	-	-	1	-	1
Serbia	72	-	72	-	-	-	256	-	256	-	-	328	-	328
Spain	9 812	-	9 812	-	-	-	356	-	356	-	-	10 168	-	10 168
Sweden	734	-	734	-	-	-	411	-	411	-	-	1 145	-	1 145
Switzerland	842	5 439	6 281	-	-	-	9	-	9	-	-	851	5 439	6 290
Syria	18	-	18	-	-	-	-	-	-	-	-	18	-	18
Thailand	2 324	-	2 324	-	-	-	-	-	-	-	-	2 324	-	2 324
Turkey	9	-	9	-	-	-	-	-	-	-	-	9	-	9
Ukraine	1	-	1	-	-	-	-	-	-	-	-	1	-	1
United Arab Emirates	300	-	300	-	-	-	-	-	-	-	-	300	-	300
United Kingdom	502	46	548	-	-	-	14	-	14	-	-	516	46	562
United Republic of Tanzania	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States	5 469	1 339	6 808	-	-	-	245	-	245	-	-	5 714	1 339	7 053
Private donors	**54 870**	**10 843**	**65 713**	**106**	**-**	**106**	**2 934**	**-**	**2 934**	**-**	**-**	**57 910**	**10 843**	**68 753**
Total contributions	**1 543 412**	**18 967**	**1 562 379**	**34 634**	**135**	**34 769**	**249 656**	**349**	**250 005**	**39 641**	**16 679**	**1 884 022**	**19 451**	**1 903 473**

Funds available for all funds as at 31 December 2010

(Thousands of United States dollars)

Schedule 2

Annual Programme Fund	*Funds available*	*Expenditure*			*Balance*
		Disbursements/ deliveries	*Unliquidated obligations*	*Total*	
Field operations					
Africa					
Africa overall	491	-	-	-	491
West Africa	46 162	43 862	2 221	46 083	79
East and Horn of Africa	233 584	214 948	18 634	233 582	2
Central Africa and Great Lakes	232 357	217 719	14 638	232 357	
Southern Africa	40 660	39 366	1 294	40 660	
Africa	**553 254**	**515 895**	**36 787**	**552 682**	**572**
Middle East and North Africa					
North Africa	25 987	23 931	2 056	25 987	
Middle East	229 441	183 493	9 954	193 447	35 994
Middle East and North Africa	**255 428**	**207 424**	**12 010**	**219 434**	**35 994**
Asia and the Pacific					
Asia and Pacific overall	10	-	-	-	10
South Asia	21 880	20 303	(1 452)	18 851	3 029
South-East Asia	42 086	41 142	943	42 085	1
East Asia and the Pacific	11 577	11 400	178	11 578	(1)
South-West Asia	185 911	105 482	(15 948)	89 534	96 377
Central Asia	9 661	9 231	180	9 411	250
Asia and the Pacific	**271 125**	**187 558**	**(16 099)**	**171 459**	**99 666**
Europe					
Eastern Europe	31 669	32 026	(357)	31 669	
Central Europe	7 545	7 478	68	7 546	(1)
Northern, Western, Southern Europe	26 110	24 923	1 188	26 111	(1)
South-Eastern Europe	20 171	19 811	360	20 171	-
Europe	**85 495**	**84 238**	**1 259**	**85 497**	**(2)**
Americas					
Latin America	30 525	29 888	637	30 525	-
North America and the Caribbean	6 050	5 743	307	6 050	-
Americas	**36 575**	**35 631**	**944**	**36 575**	**-**
Field operations	**1 201 877**	**1 030 746**	**34 901**	**1 065 647**	**136 230**
Global programmes	**134 103**	**92 773**	**41 330**	**134 103**	
Headquarters	**131 917**	**122 511**	**9 408**	**131 919**	**(2)**
Overall	**72 733**	-	-	-	**72 733**
Total Annual Programme Fund	**1 540 630**	**1 246 030**	**85 639**	**1 331 669**	**208 961**

Reintegration Projects Fund	Funds available	Expenditure			Balance
		Disbursements/ deliveries	Unliquidated obligations	Total	
Field operations					
Africa					
West Africa	1 839	1 829	10	1 839	-
East and Horn of Africa	15 988	10 626	5 362	15 988	-
Central Africa and Great Lakes	11 457	10 980	477	11 457	-
Southern Africa	1 886	1 882	4	1 886	-
Africa	**31 170**	**25 317**	**5 853**	**31 170**	**-**
Middle East and North Africa					
Middle East	22 817	16 449	6 368	22 817	-
Middle East and North Africa	**22 817**	**16 449**	**6 368**	**22 817**	**-**
Asia and the Pacific					
South Asia	540	540	0	540	-
South-East Asia	228	228	0	228	-
South-West Asia	27 639	26 331	1 308	27 639	-
Asia and the Pacific	**28 407**	**27 099**	**1 308**	**28 407**	**-**
Europe					
Eastern Europe	1 559	1 550	9	1 559	-
South-Eastern Europe	6 211	6 185	26	6 211	-
Europe	**7 770**	**7 735**	**35**	**7 770**	**-**
Field operations	**90 164**	**76 600**	**13 564**	**90 164**	**-**
Total Reintegration Projects Fund	**90 164**	**76 600**	**13 564**	**90 164**	

Internally Displaced Persons Projects Fund	Funds available	Expenditure			Balance
		Disbursements/ deliveries	Unliquidated obligations	Total	
Field operations					
Africa					
West Africa	4 207	3 789	418	4 207	-
East and Horn of Africa	52 202	47 109	2 271	49 380	2 822
Central Africa and Great Lakes	35 782	31 352	4 425	35 777	5
Southern Africa	2 125	2 124	1	2 125	-
Africa	**94 316**	**84 374**	**7 115**	**91 489**	**2 827**
Middle East and North Africa					
Middle East	76 100	65 575	10 525	76 100	-
Middle East and North Africa	**76 100**	**65 575**	**10 525**	**76 100**	**-**
Asia and the Pacific					
South Asia	24 844	18 932	5 912	24 844	-
South-East Asia	3 733	3 716	17	3 733	-
South-West Asia	133 512	86 703	46 809	133 512	-
Central Asia	22 205	17 415	510	17 925	4 280
Asia and the Pacific	**184 294**	**126 766**	**53 248**	**180 014**	**4 280**

Internally Displaced Persons Projects Fund	*Funds available*	*Expenditure*			*Balance*
		Disbursements/ deliveries	*Unliquidated obligations*	*Total*	
Europe					
Eastern Europe	21 442	15 207	1 330	16 537	4 905
South-Eastern Europe	15 045	14 873	172	15 045	-
Europe	**36 487**	**30 080**	**1 502**	**31 582**	**4 905**
Americas					
Latin America	22 226	21 809	417	22 226	-
North America and the Caribbean	6 415	3 946	231	4 177	2 238
Americas	**28 641**	**25 755**	**648**	**26 403**	**2 238**
Field operations	**419 838**	**332 550**	**73 038**	**405 588**	**14 250**
Total Internally Displaced Persons Projects Fund	**419 838**	**332 550**	**73 038**	**405 588**	**14 250**

United Nations Regular Budget Fund	*Funds available*	*Expenditure*			*Balance*
		Disbursements/ deliveries	*Unliquidated obligations*	*Total*	
Headquarters	39 641	39 641		39 641	
Total United Nations Regular Budget Fund	**39 641**	**39 641**		**39 641**	

Status of obligations — prior years, as at 31 December 2010

(Thousands of United States dollars)

Schedule 3

Annual Programme Fund	*Unliquidated obligations 1 January 2010*[a]	*Payments during 2010*	*Cancellations during 2010*	*Remaining unliquidated obligations relating to prior years still outstanding at 31 December 2010*
Field operations				
Africa				
West Africa	1 814	1 605	209	-
East and Horn of Africa	21 516	19 562	1 954	-
Central Africa and Great Lakes	18 363	15 170	3 193	-
Southern Africa	1 305	1 260	45	-
Africa	**42 998**	**37 597**	**5 401**	**-**
Middle East and North Africa				
North Africa	3 844	3 784	60	-
Middle East	21 265	19 729	1 536	-
Middle East and North Africa	**25 109**	**23 513**	**1 596**	**-**
Asia and the Pacific				
South Asia	1 448	1 325	123	-
South-East Asia	2 074	2 020	54	-
East Asia and the Pacific	269	248	21	-
South-West Asia	7 166	6 461	705	-
Central Asia	52	51	1	-
Asia and the Pacific	**11 009**	**10 105**	**904**	**-**
Europe				
Eastern Europe	925	891	34	-
Central Europe	20	18	2	-
Northern, Western, Southern Europe	252	216	36	-
South-Eastern Europe	303	200	103	-
Europe	**1 500**	**1 325**	**175**	**-**
Americas				
Latin America	214	204	10	-
North America and the Caribbean	1	0	1	-
Americas	**215**	**204**	**11**	**-**
Field operations	**80 831**	**72 744**	**8 087**	**-**
Global programmes	**18 566**	**17 178**	**1 388**	**-**
Headquarters	**12 078**	**9 328**	**2 478**	**272**
Overall	**24**	**9**	**15**	**-**
Total Annual Programme Fund	**111 499**	**99 259**	**11 968**	**272**

Reintegration Projects Fund	*Unliquidated obligations 1 January 2010*[a]	*Payments during 2010*	*Cancellations during 2010*	*Remaining unliquidated obligations relating to prior years still outstanding at 31 December 2010*
Field operations				
Africa	2 673	2 557	116	-
Total Reintegration Projects Fund	**2 673**	**2 557**	**116**	**-**

Internally Displaced Persons Projects Fund	*Unliquidated obligations 1 January 2010*[a]	*Payments during 2010*	*Cancellations during 2010*	*Remaining unliquidated obligations relating to prior years still outstanding at 31 December 2010*
Field operations				
Africa	2 792	2 615	177	-
Middle East and North Africa	1 398	1 324	74	-
Asia and the Pacific	26 066	24 055	2 011	-
Europe	1 191	1 191	-	-
Americas	13	11	2	-
Total Internally Displaced Persons Projects Fund	**31 460**	**29 196**	**2 264**	**-**

Junior Professional Officers Fund	*Unliquidated obligations 1 January 2010*[a]	*Payments during 2010*	*Cancellations during 2010*	*Remaining unliquidated obligations relating to prior years still outstanding at 31 December 2010*
Field operations				
Africa	4	3	1	-
Europe	4	4	-	-
Total Junior Professional Officers Fund	**8**	**7**	**1**	**-**

Total	**145 640**	**131 019**	**14 349**	**272**

[a] See note 3.

Appendix

Statement of the objectives and activities of the Office of the United Nations High Commissioner for Refugees

The basic mandate of the High Commissioner is found in the statute of the Office of the United Nations High Commissioner for Refugees (UNHCR) (General Assembly resolution 428 (V)). According to the statute, the High Commissioner, acting under the authority of the General Assembly, shall assume the function of providing international protection, under the auspices of the United Nations, to refugees who fall within the scope of the statute and of seeking permanent solutions for the problems of refugees.

The General Assembly has also called upon the High Commissioner to provide assistance to returnees, as well as to monitor their safety and well-being on return (Assembly resolution 40/118). In addition, on the basis of specific requests from the Secretary-General or the competent principal organs of the United Nations, and with the consent of the State concerned, UNHCR provides humanitarian assistance and protection to internally displaced persons (Assembly resolution 48/116). As regards UNHCR assistance activities, the basic provisions of the statute were expanded by the Assembly in its resolution 832 (IX).

Notes to the financial statements

Note 1
Office of the United Nations High Commissioner for Refugees and its activities

The Office of the United Nations High Commissioner for Refugees (UNHCR) was established by the General Assembly in its resolution 319 A (IV) of 3 December 1949. Its statute was approved by the Assembly in resolution 428 (V) of 14 December 1950.

The overall objectives of UNHCR are to provide international protection to refugees and to seek durable solutions to refugee problems. UNHCR seeks to safeguard the fundamental principles of asylum and non-refoulement and to ensure that the basic rights of refugees are respected and that they are treated in a dignified and humane manner. UNHCR has also developed, at the request of the General Assembly and the Governments concerned, substantial material assistance programmes to meet refugee needs. Subsequent resolutions of the Assembly, the Economic and Social Council and the Executive Committee of UNHCR have called on the Office, in the context of its basic mandate, to assist other groups of persons regarded as falling within the concern of the High Commissioner. In complex humanitarian emergencies, UNHCR also contributes to the provision of humanitarian assistance.

The High Commissioner reports annually to the General Assembly through the Economic and Social Council. The Executive Committee of the High Commissioner's Programme was established pursuant to General Assembly resolution 1166 (XII) of 26 November 1957 to advise the High Commissioner in the exercise of his or her functions and to approve the use of voluntary funds made available to the High Commissioner. The annual cycle of meetings of the Executive Committee consists of one plenary session and a number of intersessional meetings of the Standing Committee of the Whole. In 2010, the Executive Committee consisted of 79 member countries. Each year, the report on the session of the Executive Committee is submitted to the General Assembly as an addendum to the annual report of the High Commissioner.

UNHCR has its headquarters in Geneva. It has a presence in 125 countries, where its core work is managed from a series of regional offices, branch offices, sub-offices and field offices, in the following five regions: Africa, the Americas, Asia and the Pacific, Europe, and the Middle East and North Africa. Global programmes are run from headquarters by the Department of Operations and various divisions.

Note 2
Summary of significant accounting policies

The wording of the accounting policies has been amended since the previous year to better reflect UNHCR accounting practices. These modified accounting policies have no impact on prior-year comparatives, as UNHCR accounting practice remains consistent with that of previous periods.

(a) Basis of presentation

The accounts of the voluntary funds are maintained in accordance with the Financial Rules for Voluntary Funds Administered by the High Commissioner

(A/AC.96/503/Rev.9), approved by the Executive Committee at an extraordinary meeting held on 8 December 2009. The financial statements and schedules also conform to the United Nations system accounting standards (A/48/530, annex), as noted by the General Assembly in its resolution 48/216 C and as subsequently revised.

The financial year for the voluntary funds administered by the High Commissioner is from 1 January to 31 December.

(b) Fund grouping

The accounts of UNHCR are maintained on a "fund accounting" basis. Separate funds for general and special purposes are established in accordance with the Financial Rules.

Each fund is maintained as a distinct financial and accounting entity with separate self-balancing double-entry groups of accounts. Separate financial statements are prepared for each fund or group of funds of the same nature.

Transfers within the same fund or allocations between different funds can be authorized by the High Commissioner, in accordance with the Financial Rules.

Funds reported in the accounts are the following:

(i) The *Working Capital and Guarantee Fund*, which has an established ceiling of $50 million approved by the Executive Committee and is maintained by income from interest on invested funds and savings from prior-year programmes. The Fund is utilized to replenish the Annual Programme Fund and to meet essential payments and guarantee obligations, pending the receipt of contributions pledged;

(ii) The *Annual Programme Fund*, which covers the financial requirements approved biennially by the Executive Committee for programmed activities relating to pillar 1, global refugee programme, and pillar 2, global stateless programme. It also includes operational reserves from which the High Commissioner may make allocations to other parts of the annual budget, including supplementary budgets;

(iii) The *Reintegration Projects Fund*, which covers the financial requirements approved biennially by the Executive Committee for programmed activities relating to pillar 3, reintegration projects;

(iv) The *Internally Displaced Persons Projects Fund*, which covers the financial requirements approved biennially by the Executive Committee for programmed activities relating to pillar 4, internally displaced persons projects;

(v) The *United Nations Regular Budget Fund*, which covers staff and other management and administration costs, in accordance with the statute of the Office (General Assembly resolution 428 (V), annex, para. 20);

(vi) The *Junior Professional Officers Fund*, which covers financial activities allocated exclusively for the recruitment, training and development of young professionals sponsored by various Governments;

(vii) The *Staff Benefits Fund*, which covers financial activities related to end-of-service accrued benefit liabilities in respect of after-service health

insurance, accrued annual leave and repatriation entitlements, as well as provisions and expenditure arising from the voluntary separation programmes implemented in 2007 and 2008;

(viii) The *Medical Insurance Plan*, which was established by the General Assembly at its forty-first session in accordance with United Nations staff regulation 6.2. The objective of the fund is to assist subscribers and eligible family members in meeting expenses incurred for certain health services, facilities and supplies as a result of sickness, accident or maternity. The Plan is maintained through premiums from field staff and proportional contributions from UNHCR, as well as through interest income. Payments are based on claims processed during the year to cover field staff medical costs. Coverage under the Plan is limited to locally recruited General Service staff members and National Professional Officers in the field. All other staff members are covered by the insurance scheme of the United Nations Office at Geneva (United Nations Staff Mutual Insurance Society), whose operations are reflected in the United Nations financial statements.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates are used in the context of expenditure recognition, in particular, but not exclusively, at the end of the financial period to determine the amounts to be retained in respect of unliquidated obligations and liabilities related to after-service health insurance, repatriation grant, travel and shipment costs, and accrued annual leave.

(d) Voluntary contributions and pledges

Pledges from Governments and international and other United Nations organizations that are formally accepted by UNHCR are recognized as income for the period to which they relate, in accordance with paragraph 34 of the United Nations system accounting standards. Cash received in advance corresponding to pledges for future years is recorded as "contribution received in advance" at the date of the receipt of cash.

Contributions from individual private donors are recorded upon the receipt of cash.

Contributions in kind are classified as either budgetary or extrabudgetary. Budgetary contributions in kind replace commodities that have been budgeted for and that would have been purchased by UNHCR or one of its implementing partners in the normal execution of the programme. Budgetary contributions in kind are recorded in the accounts, at fair market value, when the goods or services are received. Extrabudgetary in kind contributions are those for which UNHCR has not made a budgetary provision. These are offers of additional materials or services considered by UNHCR to be complementary to programmed activities and in line with the mandate of the Office. Extrabudgetary contributions in kind are not recorded in the accounts but are listed in a separate note to the financial statements (note 22), in accordance with the technical guidelines for voluntary contributions of supplies and services (see A/44/624, annex I).

Cash received against pledges is recorded at the United States dollar equivalent, calculated using the United Nations operational rate of exchange prevailing on the date of receipt, as explained in note 2 (f).

Pledges due but not received are written off after five years unless the donor has reconfirmed the commitment in writing not more than 18 months before the end of the accounting period, or has confirmed in writing during the financial year that payments against pledges due will no longer be made to the organization.

(e) Interest income

Interest income includes all interest from various bank accounts and income earned on invested funds. Financial rule 9.3 specifies the conditions for the recording of investment income, providing, inter alia, that income from investments shall be credited to the Annual Programme Fund, unless required to maintain the Working Capital and Guarantee Fund. Interest earned on funds under the Medical Insurance Plan is credited to the Plan.

(f) Currency-exchange adjustments

The accounts are presented in United States dollars. Transactions are carried out in a number of currencies and are translated into United States dollars using the United Nations operational rates of exchange, as established by the United Nations Controller, in effect at the date of the transaction. At the balance sheet date, the balance of the accounts receivable, accounts payable, cash and cash equivalents and obligations are revalued using the United Nations official exchange rate as at 31 December.

Currency-exchange adjustments include realized exchange losses and gains on transactions resulting from differences between prevailing market rates and the United Nations operational rate of exchange, and unrealized losses and gains from the revaluation of year-end asset and liability balances based on the United Nations operational rate of exchange. All such realized and unrealized gains and losses are accounted for under the Working Capital and Guarantee Fund.

(g) Miscellaneous income

Miscellaneous income includes proceeds from the sale of used or surplus non-expendable property and UNHCR-provided staff accommodations.

(h) Expenditure

Expenditure reflects the amounts obligated according to article 8 of the Financial Rules.[a] Expenditures include operational expenses, staff costs and administrative expenses. The High Commissioner may incur obligations for the implementation of programmes to the extent that moneys and governmental pledges are available in the appropriate fund or account. Whenever possible and appropriate, the implementation of projects is entrusted to implementing partners, e.g., governmental, intergovernmental or non-governmental bodies, private firms or

[a] The High Commissioner may obligate the funds necessary for the implementation of programmes and projects in accordance with: (a) the terms of the approval given by the Executive Committee for the annual budget; (b) the terms and conditions of the supplementary budgets; or (c) the conditions governing other funds and accounts.

individual experts, in accordance with the terms of an agreement or a formal exchange of letters. Instalments paid or due to implementing partners are charged to expenditures. Should an implementing partner reimburse moneys not used, the refund is recorded to expenditure if received in the current year or as an adjustment to prior-year expenditure if received in a subsequent year. Implementing partners may effect payments towards commitments made during the project duration up to the liquidation date, i.e., one month after the end date of the agreement, unless an extension is authorized. Projects are implemented in accordance with the terms of a letter of instruction to the responsible officer or organizational unit of UNHCR.

(i) Adjustments to prior-year contributions

Refunds to donors for contributions received in prior years, as well as reclassifications of contributions recorded in previous years, are recorded as adjustments to prior-year contributions.

(j) Adjustments to prior-year expenditure

Adjustments to prior-year expenditure comprise refunds of unused cash balances received from implementing partners, write-offs and any other adjustments to expenditure already charged to prior years.

(k) Cancellation of prior-year obligations

Cancellation of prior-year obligations relate to unliquidated obligations that were accrued in previous periods and are no longer required by the organization.

(l) Deferred charges

Deferred charges comprise advance payments related to rent and advance payments related to staff expenditure items that are not properly chargeable in the current financial period and will be charged as expenditure in subsequent financial periods. These charges are reported under "Other assets".

(m) Ex gratia payments

The granting of ex gratia payments is governed by financial rule 10.5. Ex gratia payments are approved by the Controller up to an amount not exceeding $5,000, when such payments are considered desirable in the interest of the organization. Payments over $5,000 require the personal approval of the High Commissioner. A statement of ex gratia payments, if any, is submitted to the Board of Auditors with the annual accounts.

(n) Write-offs

Write-offs due to loss of cash or of the book value of accounts receivable, including the conversion of loans into grants, is governed by financial rule 10.6. Write-offs are recorded as expenditure. The write-off of losses of UNHCR property is governed by financial rules 10.6 and 10.7, which provide that the Controller may authorize such, for amounts up to $10,000, after a full investigation of each case. Amounts over $10,000 require the approval of the High Commissioner. A statement of all amounts written off is submitted to the Board of Auditors with the annual accounts.

(o) Unliquidated obligations

Unliquidated obligations are amounts of purchase orders placed, contracts or services awarded or instalments due to implementing partners for which goods or services that had not yet been received by UNHCR at the end of a financial period, involve a charge against the resources of the current financial period, and will require payment during a subsequent financial period. Such unliquidated obligations at the end of the financial period shall be maintained and shown as a liability in the accounts. An unliquidated obligation that is no longer in a future financial period will be cancelled.

(p) Expendable property

Expendable property comprises goods purchased by UNHCR and consumed in the course of either the conduct of its normal activities or the distribution of relief materials to beneficiaries. Inventories for UNHCR are materials or supplies intended for distribution to beneficiaries. The costs of such inventories are charged to expenditure on purchase.

(q) Property, plant and equipment

Property, plant and equipment comprise land and buildings and non-expendable property:

(i) Land and buildings are capitalized in the books of account at original cost. No depreciation is provided for buildings;

(ii) Non-expendable property comprises two categories:

a. Tangible items held for use in the production or supply of goods or services, for rental to others or for administrative purposes, expected to be used during more than one reporting period, regardless of funding source or use, including in kind donations, and having an initial cost equal to or greater than $5,000. Such items include non-expendable equipment such as vehicles, communications and information technology equipment, furniture and fixtures, and physical structures such as sheds, warehouses and health-care, water and sanitation facilities;

b. Other tangible items, such as computers and telecommunications devices that are serially tracked, with an acquisition value of less than $5,000 and more than $300, are used by UNHCR to support its day-to-day official business and are not intended for distribution to beneficiaries.

In accordance with the United Nations system accounting standards, non-expendable property purchased with UNHCR voluntary funds is not recorded on the balance sheet, but is charged as expenditure to the appropriate project in the year of acquisition. Supplementary records are maintained to manage non-expendable property, and such items are valued therein at the United States dollar equivalent calculated at the rate of exchange prevailing on the date of purchase. Depreciation is computed using the straight-line method over the estimated useful life of the asset, but it is not recorded in the books of account.

(r) End-of-service accrued benefit liabilities

The organization's employees are entitled, under their conditions of employment, to payment of unused annual leave, as well as termination and repatriation benefits. UNHCR recognizes the end-of-service accrued benefits liabilities related to after-service health insurance, accrued annual leave, and repatriation entitlements. All of these liabilities are unfunded liabilities and are shown under the Staff Benefits Fund.

(s) Related-party transactions

Note disclosure is made of all related-party relationships where control exists, irrespective of whether or not there have been transactions between the related parties, and of all transactions with the related parties. UNHCR deems the holders of five key management positions to be related parties: the High Commissioner, the Deputy High Commissioner, two Assistant High Commissioners and the Controller.

(t) Going concern

The financial statements report negative equity as a result of the full recognition of long-term liabilities for after-service and post-retirement benefits and, in accordance with the United Nations system accounting standards, the non-recognition of non-current assets. On the basis of firm pledges received for future periods and the level of funding available for current liabilities expected to fall due, there is a firm expectation that UNHCR has adequate resources to continue its normal operations for the foreseeable future. It is therefore appropriate to use the going-concern basis of accounting in preparing the annual financial statements.

Note 3
Change in prior-year comparatives

On 1 January 2010, revised Financial Rules introduced a new budget and accounting structure to replace the Annual Programme Fund and the Supplementary Programme Fund, reported on in previous years. Under the new framework, operational activities are categorized under pillars. The Annual Programme Fund comprises pillar 1, global refugee programme, and pillar 2, global stateless programme; pillar 3 is reported in the Reintegration Projects Fund and pillar 4 in the Internally Displaced Persons Projects Fund.

The assets, liabilities and reserve balances at the end of 2009 were mapped to this new structure. The Annual Programme Fund was mapped to pillars 1 and 2, and the Supplementary Programme Fund was mapped to pillars 1, 3 and 4.

All non-cash assets and the accounts payable of the Supplementary Programme Fund at 31 December 2009 were transferred to the Annual Programme Fund. The tables below summarize how the closing balances of the unliquidated obligations and reserves at the end of 2009 were transferred to the new funds at the beginning of 2010.

The closing balance of reserves as at 31 December 2009 is mapped to the new structure as shown in table 1:

Table 1
Reserves
(Thousands of United States dollars)

	Closing balance 2009	*Transfer*	*Restated opening balance 2010*
Annual Programme Fund	100 439	(100 439)	
Supplementary Programme Fund	95 110	(95 110)	
United Nations Regular Budget Fund			
Annual Programme Fund (pillar 1 and pillar 2)[a]		139 547	139 547
Reintegration Projects Fund (pillar 3)[b]		11 871	11 871
Internally Displaced Persons Projects Fund (pillar 4)[c]		44 131	44 131
Junior Professional Officers Fund	6 896		6 896
Medical Insurance Plan	34 433		34 433
Staff Benefits Fund	(446 865)		(446 865)
Working capital	50 000		50 000
Total	**(159 987)**	**0**	**(159 987)**

[a] The amount was transferred from the annual budget ($100,439) and the supplementary budget ($39,108).
[b] The amount was transferred from the supplementary budget.
[c] The amount was transferred from the supplementary budget.

The closing balance of unliquidated obligations as at 31 December 2009 is mapped to the new structure as shown in table 2:

Table 2
Unliquidated obligations
(Thousands of United States dollars)

	Closing balance 2009	*Transfer*	*Restated opening balance 2010*
Annual Programme Fund	84 564	(84 564)	
Supplementary Programme Fund	61 034	(61 034)	
United Nations Regular Budget Fund	34	(34)	
Annual Programme Fund (pillar 1 and pillar 2)[a]		111 499	111 499
Reintegration Projects Fund (pillar 3)[b]		2 673	2 673
Internally Displaced Persons Projects Fund (pillar 4)[c]		31 460	31 460
Junior Professional Officers Fund	8		8
Medical Insurance Plan			
Staff Benefits Fund			
Working capital			
Total	**145 640**	**0**	**145 640**

[a] The amount was transferred from the annual budget ($84,564), the regular budget of the United Nations ($34) and the supplementary budget ($26,901).
[b] The amount was transferred from the supplementary budget.
[c] The amount was transferred from the supplementary budget.

Note 4
United Nations Regular Budget Fund

In accordance with article 20 of the statute of the Office of the United Nations High Commissioner for Refugees,[b] administrative expenditures relating to the functioning of UNHCR are borne under the regular budget of the United Nations, and all other expenditures relating to the activities of UNHCR are financed through voluntary contributions. The contribution from the regular budget would finance the equivalent of 220 posts in the management and administrative category, general operating expenses, supplies and materials and contributions to joint activities.

Regular budget income in 2010 amounted to $39,640,800, of which there was no outstanding receivable amount at the end of 2010. Regular budget expenditure in 2010 amounted to $39,640,800, of which $32,414,821 covered staff costs, including the posts of the High Commissioner and the Deputy High Commissioner, and $7,225,979 covered other management and administration costs.

Note 5
Transfers between programmes and funds during 2010

Transfers between programmes and funds during 2010 are shown in table 3:

Table 3
Transfers between programmes and funds, 2010
(Thousands of United States dollars)

	Working Capital Fund	*Annual Programme Fund*	*Reintegration Projects Fund*	*Internally Displaced Persons Projects Fund*	*Junior Professional Officers Fund*	*Staff Benefits Fund*	*Net transfer*
Replenishment	18 066	(18 066)	—	—	—	—	—
Administrative costs[a]	—	19 160	(2 237)	(16 923)	—	—	—
Transfers to cover budgets[b]	—	(184 286)	45 282	139 004	—	—	—
Junior Professional Officers Fund administrative costs[c]	—	1 333	—	—	(1 333)	—	—
Interfund transactions	—	148	—	—	—	(148)	—
Net transfer	**18 066**	**(181 711)**	**43 045**	**122 081**	**(1 333)**	**(148)**	**—**

[a] See para. (a) below.
[b] See para. (b) below.
[c] See para. (c) below.

(a) Funds were transferred to the Annual Programme Fund from the Reintegration Projects Fund and the Internally Displaced Persons Projects Fund to cover administrative costs incurred in the Annual Programme Fund in support of those two funds during 2010.

(b) Earmarked contributions are recorded in the appropriate fund and unearmarked or loosely earmarked contributions are initially recorded in the Annual Programme Fund; subsequently, the latter are either used to fund budgets of the

[b] General Assembly resolution 428 (V), annex.

Annual Programme Fund or transferred to cover the approved budgets of other funds. During 2010, a net amount of $181,710,815 was transferred from the Annual Programme Fund, with $43,045,271 transferred to the Reintegration Projects Fund and $122,081,084 to the Internally Displaced Persons Projects Fund.

(c) The equivalent of 12 per cent of the expenditure incurred was transferred from the Junior Professional Officers Fund to the Annual Programme Fund in respect of support costs incurred by UNHCR to manage the Junior Professional Officers Fund.

(d) Actual expenditure for staff and administrative costs are apportioned to the Annual Programme Fund, the Reintegration Projects Fund and the Internally Displaced Persons Projects Fund using a budget apportionment based on the estimated level of staff time and administrative budget required for the delivery of results.

(e) In 2010, $606,360,492 was apportioned to pillars 1 and 2 (Annual Programme and Regular Budget Funds), $23,847,904 to pillar 3 (Reintegration Projects Fund) and $97,545,324 to pillar 4 (Internally Displaced Persons Projects Fund). Expenditure for the Junior Professional Officers Fund is not apportioned and is reported separately.

Note 6
Breakdown of expenditure

Table 4 shows total UNHCR expenditure in 2010, broken down by fund and category:

Table 4
Expenditure of the Office of the United Nations High Commissioner for Refugees, 2010

(Thousands of United States dollars)

Fund	*Programme*[a]	*Programme support*[b]	*Management and administration*[c]	*Total*
Annual Programme Budget, Reintegration Projects Fund and Internally Displaced Persons Projects Fund	1 493 629	273 771	60 021	1 827 421
Regular Budget Fund			39 641	39 641
Subtotal	**1 493 629**	**273 771**	**99 662**	**1 867 062**
Junior Professional Officers Fund[d]				11 111
Medical Insurance Plan[e]				4 437
Working Capital and Guarantee Fund				1 958
Staff Benefits Fund				37 927
Total expenditure				**1 922 495**

[a] See para. (a) below.
[b] See para. (b) below.
[c] See para. (c) below.
[d] See para. (d) below.
[e] See para. (e) below.

(a) Expenditure under the "Programme" category corresponds to the direct financial inputs used to achieve the objectives of a specific project or programme, including the costs of staff, consultant experts, supplies and equipment, subcontracts, cash assistance and training, and instalments disbursed to implementing partners. Implementing partners are required to report on their disbursements against instalments received from UNHCR in accordance with the terms and conditions of implementing partner agreements. The table below shows the balances of implementing partner instalments for which financial reports were still outstanding at the end of the year. The final implementing partner financial reports are normally due on 28 February of the following year.

(Thousands of United States dollars)

	As at 31 December 2010	*As at 31 December 2009*
Current year agreements		
Implementing partner instalments disbursed or committed	676 942	598 800
Implementing partner financial reports received	(386 404)	(333 518)
Outstanding balance	**290 538**	**265 282**
Prior-year agreements		
Outstanding balance	**1 740**	**4 885**

(b) Expenditure under the "Programme support" category corresponds to the costs of organizational units whose primary functions are the formulation, development, delivery and evaluation of UNHCR programmes, including those that provide backstopping of programmes on a technical, thematic, geographic, logistical or administrative basis.

(c) Expenditure under the "Management and administration" category corresponds to the costs of organizational units whose primary function is the maintenance of the identity, direction, welfare and security of UNHCR staff, including those units that carry out the functions of executive direction, organizational policy and evaluation, external relations and information and administration.

(d) The following table shows expenditure, by region, under the Junior Professional Officers Fund in 2010.

(Thousands of United States dollars)

Region	*2010*	*2009*
Africa	3 951	4 792
Middle East and North Africa	805	932
Asia and the Pacific	1 619	1 680
Europe	788	1 165
Americas	1 014	747

Region	*2010*	*2009*
Global programmes	458	474
Headquarters	2 476	2 332
Total expenditure	**11 111**	**12 122**

These amounts included salaries and other employment-related expenditures incurred and related to Junior Professional Officers.

(e) In 2010, the Medical Insurance Plan received total income of $6,680,757 from staff premiums and proportional contributions from UNHCR and $177,397 in interest earned. Under the Plan, total expenditure incurred amounted to $4,436,570. This amount included payments to settle medical bills submitted by active and after-service participants. It also included the salaries of and employment-related entitlements and expenditure for two UNHCR staff operating the scheme.

(f) The main elements of the Working Capital and Guarantee Fund include interest income (excluding the amount allocated to the Medical Insurance Plan) of $910,487 as well as a net currency exchange loss of $17,052,014. Bank charges amounted to $1,957,555 in 2010.

(g) The expenditure of the Staff Benefits Fund reflects the benefits of after-service health insurance, accrued repatriation grant and accrued unpaid annual leave earned by UNHCR staff during 2010, net of the estimated benefits paid. It also includes the effect of actuarial loss related to the same elements.

Note 7
Write-offs

In 2010, UNHCR wrote off liquid assets, as reflected in the expenditure reported, totalling $5,916,857 in respect of losses as shown in table 5.

Table 5
Write-offs
(Thousands of United States dollars)

	2010	*2009*
Unpaid contributions	5 678	316
Value-added tax	105	351
Operational advance and others	1	
Implementing partners	133	441
Total	**5 917**	**1 108**

Note 8
Ex gratia payments

As approved in accordance with the Financial Rules for Voluntary Funds Administered by the High Commissioner for Refugees, UNHCR paid a total amount of $15,249 in ex gratia payments, which included the settlement of a United Nations Dispute Tribunal case and a minor charge relating to a previous-year security

incident. UNHCR considers that it has a moral obligation to effect these payments, and the payments are in the interest of the organization.

Note 9
Cash and term deposits

The amount shown in statement II for cash and term deposits represents the total of all cash balances (including funds held in non-convertible currencies), net of any negative bank balances. Table 6 provides the breakdown between current and deposit accounts as at 31 December for the years 2010 and 2009, as well as information on term deposits and non-convertible currencies held.

Table 6

(a) Current and deposit accounts

(Thousands of United States dollars)

	2010	*2009*
Cash deposit on 31 December:		
Cash and current accounts	68 809	66 071
Term deposits	290 000	240 000
Interest-bearing accounts	77 296	76 544
Investments and interest-bearing accounts	367 296	316 544
Unrealized exchange gain or loss	977	
	437 082	**382 615**
Average in hand during year for headquarters accounts:		
In current and interest-bearing accounts	95 360	88 939
Invested (call and time deposits, securities)	208 114	215 833
	303 474	**304 772**
Interest earned:		
On interest-bearing accounts	404	537
On invested funds	683	1 758
	1 087	**2 295**
Average rate of interest earned:		
On funds in hand and bank	0.42%	0.60%
On invested funds	0.33%	0.81%

(b) Term deposits as at 31 December 2010

(Thousands of United States dollars)

Bank	*Period (days)*	*Annual interest rate (percentage)*	*Maturity date*	*Amount*	*Accrued interest*
Banco Santander SA	7	0.40	7 January	30 000	0.33
Banco Santander SA	21	0.30	7 January	30 000	3.75
Barclays Bank Plc	21	0.23	7 January	40 000	3.83

Bank	*Period (days)*	*Annual interest rate (percentage)*	*Maturity date*	*Amount*	*Accrued interest*
BNP Paribas	8	0.22	7 January	10 000	0.12
BNP Paribas	15	0.20	7 January	20 000	1.00
Deutschebank	21	0.22	7 January	40 000	3.67
Nordea Bank	21	0.24	7 January	60 000	6.00
Rabobank	15	0.18	7 January	20 000	0.90
Rabobank	18	0.20	7 January	40 000	2.67
Total				**290 000**	**22.27**

(c) Non-convertible currencies held as at 31 December

(Equivalent in thousands of United States dollars)

Country	*Currency*	*2010*	*2009*
Afghanistan	afghani	43	34
Albania	lek	23	22
Angola	kwanza	187	53
Bosnia and Herzegovina	convertible mark	1	167
Burundi	franc	168	904
Eritrea	nafka	259	35
Ethiopia	birr	662	428[a]
Myanmar	kyat	4	17
Mozambique	metical	196	24
Nigeria	naira	174	77
Syrian Arab Republic	pound	1 260	867
Total		**2 977**	**2 628**

[a] In the notes to the 2009 financial statements, the Ethiopian birr was omitted from the list of non-convertible currencies held.

Included in foreign-exchange adjustments is the amount of $689,569 related to the Zimbabwe dollar, which was effectively abandoned as an official currency of Zimbabwe on 12 April 2009.

Note 10
Voluntary contributions receivable

The voluntary contributions receivable balance in statement II represents contributions outstanding from donors after year-end currency revaluation. The ageing of contributions receivable is shown in table 7.

Table 7
Voluntary contributions receivable
(Thousands of United States dollars)

	2010	*2009*
2010	72 419	—
2009	23 108	65 696
2008	3 872	12 781
2007	1 036	3 652
2006	413	2 757
2005	132	2 176
2004	2	912
Total	**100 982**	**87 974**
Unrealized exchange gain or (loss)	(2 262)	481
Total as per statement II	**98 720**	**88 455**

The status of outstanding contributions as at 31 December 2010 is shown in table 8.

Table 8
Status of outstanding contributions as at 31 December 2010
(Thousands of United States dollars)

Outstanding contributions	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*Total*
Donors								
Governmental donors								
Australia							342	342
Belgium						154		154
Brazil							200	200
Canada				3				3
Costa Rica							2	2
Cyprus					1			1
Denmark				7	400	232	2 874	3 513
Estonia						66		66
Germany						81		81
Greece							11	11
Hungary							174	174
Iceland				99				99
Ireland			25	50	30	54		159
Italy			33	61		258	1 826	2 178
Kuwait					1 000			1 000
Luxembourg			59				87	146

Outstanding contributions	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*Total*
Malta							20	20
Mauritania				8				8
Mexico							75	75
Monaco							29	29
Montenegro					5		6	11
Netherlands			16	13	8	7	34	78
Norway						23	220	243
Portugal							1 339	1 339
Saudi Arabia		100				112	7 327	7 539
South Africa					24			24
Spain			4	13	261	725	17 390	18 393
Sweden			1				52	53
Switzerland							770	770
United Arab Emirates						14 842	1 714	16 556
United Kingdom			31	53	1 253	950	1 618	3 905
United States					122		3 739	3 861
Governmental donors	**0**	**100**	**169**	**307**	**3 104**	**17 504**	**39 849**	**61 033**
European Commission	**2**	**32**		**238**	**667**	**5 049**	**30 940**	**36 928**
Intergovernmental donors								
National Multisectoral Programme against HIV/AIDS			244	482				726
Council of Europe				1				1
OPEC Fund for International Development							500	500
International Organization for Migration							140	140
Intergovernmental donors			**244**	**483**			**640**	**1 367**
United Nations pooled funding mechanism								
United Nations Children's Fund				8				8
Common Humanitarian Fund						250	200	450
Joint United Nations Programme on HIV/AIDS					56	100		156
United Nations Development Programme					19			19
World Food Programme						100	139	239
One United Nations Funds					26	55		81
Emergency Relief Fund						50		50

Outstanding contributions	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*Total*
Millennium Development Goals							651	651
United Nations pooled funding mechanism	**0**	**0**	**0**	**8**	**101**	**555**	**990**	**1 654**
Total outstanding contributions	**2**	**132**	**413**	**1 036**	**3 872**	**23 108**	**72 419**	**100 982**
Unrealized loss								-2 262
Total outstanding contributions per statement II								**98 720**

Note 11
Voluntary contributions pledged for the Annual Programme Budget for 2011

During the annual pledging conference held in December 2010, governmental donors to UNHCR pledged $500,307,946 towards the 2011 annual budget. Those pledges are not reflected in the accounts for 2010 and will be recognized as income in 2011.

Note 12
Due from United Nations and other agencies

The amounts due from United Nations and other agencies as reported in statement II are shown in table 9.

Table 9
Amounts due from United Nations and other agencies as at 31 December
(Thousands of United States dollars)

	2010	*2009*
United Nations Headquarters	492	2 149
Office for the Coordination of Humanitarian Affairs	267	437
United Nations Development Programme	338	398
Office of the United Nations Security Coordinator	29	29
Other agencies	3	29
Joint United Nations Programme on HIV/AIDS	—	22
United Nations High Commissioner for Human Rights	13	12
World Food Programme	—	4
International Criminal Court	—	2
International Labour Organization	—	1
Total	**1 142**	**3 083**

Note 13
Other receivables

The amounts in statement II under other receivables represent payroll and staff-related entitlements, and other elements pending settlement or recovery, net of relevant allowances for doubtful accounts, as shown in table 10.

Table 10
Other receivables as at 31 December
(Thousands of United States dollars)

	2010	*2009*
Education grant advances	12 125	11 219
Salary advances	3 876	3 712
Non-staff-related and miscellaneous receivables	2 103	3 704
Value-added tax reimbursable	1 148	2 731
Field operational advances	1 247	1 699
Rental advances	1 483	1 512
Travel advances	96	1 010
Deposits with suppliers	630	548
Staff receivables	18	(481)
Unrealized exchange gain or loss	(1 471)	
Total	**21 255**	**25 654**

Note 14
Allowance for doubtful accounts receivable

Accounts receivable are presented in statement II, net of an allowance for doubtful accounts receivable, as shown in table 11.

Table 11
Allowance for doubtful accounts receivable
(Thousands of United States dollars)

	Provision as at 31 December 2009	*Write-offs*	*Recovery*	*Adjustments*	*Provision as at 31 December 2010*
Implementing partners	1 930	—	—	48	1 978
Value-added tax	8 050	(105)	(619)	1 451	8 777
Staff receivables	1 755	—	—	(292)	1 463
Non-staff receivables	92	—	—	—	92
Unpaid contributions	—	—	—	2 359	2 359
Total	**11 827**	**(105)**	**(619)**	**3 566**	**14 669**

The adjustment amounts for allowances for doubtful accounts receivable are the results of a review conducted at the end of fiscal year 2010.

Note 15
Other assets

The balance of other assets reported in statement II of $1,804,484 includes payments made in advance for costs to be incurred against future years, and accrued interest on investments.

Note 16
Land and buildings

As at 31 December 2010, the capital assets of the organization, expressed in United States dollars, comprise buildings (at cost) at the locations shown in table 12.

Table 12
Land and buildings
(Thousands of United States dollars)

Description	*Year of purchase*	*Amount*
UNHCR office in Kinshasa	2008	3 600
UNHCR office in Khartoum	1994	542
Total		**4 142**

Note 17
Non-expendable property

In 2010, the capitalization threshold was changed. For capital assets, the threshold increased from $1,500 in 2009 and previous years to $5,000 in 2010; for serially tracked items, the threshold increased from $100 to $300. In 2009, depreciation was calculated assuming a residual value of 10 per cent of the acquisition value, whereas in 2010 assets were fully depreciated over their useful lives. As at 31 December 2009, the acquisition value of non-expendable property recorded was $343,608,116 and the depreciated value was $119,442,385. As at 31 December 2010, the acquisition value of non-expendable property recorded was $321,074,178 and the depreciated value was $94,573,366.

Note 18
Accounts payable

The amount in statement II under accounts payable represents liabilities to suppliers and other elements pending settlement, as shown in table 13.

Table 13
Accounts payable as at 31 December
(Thousands of United States dollars)

	2010	*2009*
Commercial suppliers	15 552	31 605
Payroll and other staff-related entitlements	5 854	7 041
Accrued United States taxes	6 348	5 564

	2010	2009
Other staff payables	2 258	2 706
Other United Nations organizations	1 594	(4 602)
Unrealized exchange gain or loss	(582)	
Total	**31 024**	**42 314**[a]

[a] In the interest of improved disclosure, liabilities related to end-of-service and post-retirement benefits and voluntary separation were shown separately from accounts payable in 2010. In order to ensure comparability, the 2009 figure was restated accordingly.

Note 19
Liabilities for end-of-service and post-retirement benefits

The amount in statement II under end-of-service liabilities represents liabilities for end-of-service accrued benefits, as shown in table 14.

Table 14
Liabilities for end-of-service accrued benefits
(Thousands of United States dollars)

	2010	2009
After-service health insurance entitlements	286 550	347 418
Repatriation entitlements	69 751	65 466
Annual leave entitlements	37 119	33 945
Voluntary separation costs	278	1 555
Total	**393 698**	**448 384**

(a) After-service health insurance

After-service coverage is available in the form of continued previous membership in the United Nations Staff Mutual Insurance Society or in an insurance scheme of another organization in the United Nations family or through the Medical Insurance Plan for retired locally recruited staff members who served at designated duty stations away from headquarters, and their eligible dependants.

The organization's liability for after-service health insurance has been estimated by a consulting actuary. On the basis of the actuary's study, the value of the accrued liability of UNHCR for after-service health insurance as at 31 December 2010 was $286,550,000 ($347,418,000 as at 31 December 2009). In 2010, the discount rate of 5.55 per cent, based on spot rates for high-quality corporate bonds payable in euros for the corresponding maturity years, was used. In 2009, the discount rate was 6.15 per cent. The overall reduction of $60,868,000 to the after-service health insurance benefit liability can be attributed to (a) the change of discount rate from 6.15 per cent to 5.55 per cent and (b) the downward revision of health-care-trend assumptions for United Nations Staff Mutual Insurance Society participants from 6.0 per cent in 2010 to 3.0 per cent in 2027 (as opposed to the downward revision from 6.0 per cent in 2010 to 4.5 per cent in 2027 assumed in the

2009 valuation), taking into consideration recent changes in the management of the insurance plan and the health-care industry in Switzerland in general.

Table 15
Liability for after-service health insurance
(Thousands of United States dollars)

	Present value of future benefits	*Accrued liability*
Gross liability	540 261	415 334
Offset from retiree contributions	178 105	128 784
Net liability	**362 156**	**286 550**

The present value of future benefits is the discounted value of all benefits, less retiree contributions, to be paid in the future to all current retirees and active staff expected to retire. The accrued liability represents that portion of the present value of benefits that has accrued from the staff member's date of entry on duty until the valuation date. An active staff member's benefit is fully accrued when that staff member has reached the date of full eligibility for after-service benefits. Thus, for retirees and active staff members who are eligible to retire with benefits, the present value of future benefits and the accrued liability are equal. Liabilities are computed using the projected unit credit method, whereby each participant's benefits under the plan are expensed as they accrue, taking into consideration the plan's benefit allocation formula. The benefits of the post-retirement plan are funded on a pay-as-you-go basis. No assets have yet been segregated and restricted to provide for post-retirement benefits. The actuarial gains and losses are recognized as they occur. The income statement for 2010 reflects an actuarial gain of $91,196,000 for the year (the actuarial gain amounted to $28,070,000 for 2009).

(b) Accrued annual leave

Separating staff are entitled to be paid for any unused leave days that they may have accrued, up to a maximum of 60. On the basis of an average of 32 leave days, the organization's total liability for such unpaid accrued leave is estimated to be $37,118,829 ($33,945,032 as at 31 December 2009). The average number of leave days was calculated on the basis of the number of staff and the prevailing salary scale using a midpoint reference for General Service and Professional salary scales at the Geneva, Belgrade and Budapest duty stations.

(c) Repatriation grant, travel and shipment

In line with the Staff Regulations and the Staff Rules of the United Nations, some staff members are entitled to repatriation grants and related relocation costs upon their separation from the organization, based on the number of years of service. The organization's actuarially determined accrued liability for repatriation grant and travel was $69,751,000 as at 31 December 2010. The liability was valued on the basis of a discount rate of 5.55 per cent. For 2009, the same methodology was used, except that the discount rate used was 6.15 per cent and the resulting accrued liability was $65,466,000 as at 31 December 2009. The change in the

discount rate used resulted in an increase in the accrued liability for repatriation grant, travel and shipment of $4,285,000 at the end of 2010.

(d) Pension plan

UNHCR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a defined-benefit plan. The financial obligation of the organization to the Staff Pension Fund consists of its mandated contribution at the rate established by the Assembly, together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. At the time of reporting, the Assembly had not invoked this provision. The result of the latest actuarial valuation as at 31 December 2009 was an actuarial surplus of 0.38 per cent of pensionable remuneration.

Note 20
Contingencies

A number of legal, disciplinary and administrative appeal cases have been filed against UNHCR. It is not possible to establish the likely outcome of these cases or to estimate the amounts of the possible settlements, if any.

In one of these cases, UNHCR has offered to settle by making an ex gratia payment. The Tribunal de Grande Instance du Nord-Kivu (Rwanda) ordered UNHCR to pay a private person an amount of $30,000 for lost assets and $50,000 in additional damages and court costs. UNHCR denies the validity of the judgement, because the proper procedure was not followed by the court in relation to the privileges and immunities of the Office; however, in order to show goodwill, UNHCR has offered to settle the case through an ex gratia payment. Considering that the amount could not be determined as at 31 December 2010, since the terms, including in particular the value of the agreement between the parties, had not been finalized, UNHCR did not record a provision and is disclosing the case as a contingent liability.

Note 21
Related-party transactions

There were no material transactions with related parties in 2010. The aggregate value of remuneration and compensation pertaining to key management personnel[c] is shown in table 16.

[c] In 2009, the Director of the Division of Operational Support was considered to be in the category of key management personnel; however, during the third quarter of 2009 the Division was abolished.

Table 16
Key management remuneration and compensation
(Thousands of United States dollars)

	Number of individuals		*Aggregate remuneration*		*Contribution of the Office to pension, medical insurance*		*Total*	
Related party	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*	*2010*	*2009*
High Commissioner	1	1	273	263	54	54	327	317
Deputy High Commissioner	1	1	301	135	48	22	349	157
Assistant High Commissioner	2	3	468	595	99	126	567	721
Controller	2	1	266	202	53	43	319	245
Total	**6**	**6**	**1 308**	**1 195**	**254**	**245**	**1 562**	**1 440**

There were no salary advances, entitlements or remuneration to key management personnel that were not available to other categories of staff. There were no other financial transactions with key management personnel and their close family members during the year.

Note 22
Extrabudgetary in kind contributions

The value of 2010 extrabudgetary in kind donations to UNHCR in 2010 is shown in table 17.

Table 17
Extrabudgetary in kind contributions
(Thousands of United States dollars)

Donor	*2010*
Government of Germany	3 702
Government of Hungary	199
Government of Israel	500
Government of Poland	72
Government of Spain	458
Government of Sweden	530
Government of United Arab Emirates	688
Register of Engineers for Disaster Relief (Australia)	390
Sony Corporation (Japan)	41
Total	**6 580**

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